

**Naturgy Energy Group, S.A.**  
**Annual Report 2018**



**ANNUAL ACCOUNTS**

Balance sheet  
Income statement  
Statement of recognised income and expenses  
Statement of changes in equity  
Cash flow statement  
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**Naturgy Energy Group, S.A.**  
**Balance sheet**

(million euro)

	31.12.18	31.12.17
<b>NON-CURRENT ASSETS</b>	<b>31,317</b>	<b>29,453</b>
Intangible assets <i>(Note 5)</i>	32	114
Goodwill	27	109
Other intangible assets	5	5
Property, plant and equipment <i>(Note 6)</i>	141	151
Land and buildings	127	134
Other property, plant and equipment	14	17
Long-term investments in Group companies and associates <i>(Note 7)</i>	30,894	29,015
Equity instruments	15,237	13,400
Loans to companies	15,657	15,615
Long-term investments <i>(Note 8)</i>	17	40
Equity instruments	5	5
Derivatives	--	8
Other financial assets	12	27
Other non-current assets <i>(Note 14)</i>	81	--
Deferred income tax assets <i>(Note 17)</i>	152	133
<b>CURRENT ASSETS</b>	<b>2,225</b>	<b>4,512</b>
Trade and other receivables <i>(Note 9)</i>	661	650
Trade receivables	101	121
Trade receivables, group companies and associates	366	345
Sundry receivables	129	155
Current tax assets	65	29
Short-term investments in Group companies and associates <i>(Note 7)</i>	797	2,223
Loans to companies	740	1,480
Other financial assets	57	743
Short-term investments <i>(Note 8)</i>	44	85
Derivatives	8	56
Other financial assets	36	29
Short-term prepayments and accrued expenses	1	1
Cash and cash equivalents <i>(Note 10)</i>	722	1,553
Cash at banks and in hand	722	1,453
Other cash equivalents	--	100
<b>TOTAL ASSETS</b>	<b>33,542</b>	<b>33,965</b>

Notes 1 to 30 form an integral part of these annual accounts.

**Naturgy Energy Group, S.A.****Balance sheet****(million euro)**

	<b>31.12.18</b>	<b>31.12.17</b>
<b>EQUITY (Note 11)</b>	<b>17,226</b>	<b>13,466</b>
<b>SHAREHOLDERS' FUNDS</b>	<b>17,253</b>	<b>13,473</b>
Capital	1,001	1,001
Authorised capital	1,001	1,001
Share premium	3,808	3,808
Reserves	8,009	7,971
Legal and statutory	300	300
Other reserves	7,709	7,671
Treasury shares	(121)	--
Profit for the year	5,282	1,023
Interim dividend	(730)	(330)
Other equity instruments	4	--
<b>ADJUSTMENTS FOR CHANGES IN VALUE</b>	<b>(27)</b>	<b>(7)</b>
Hedging operations	(27)	(7)
<b>NON-CURRENT LIABILITIES</b>	<b>13,085</b>	<b>16,113</b>
Long-term provisions (Note 12)	478	465
Long-term post-employment obligations	256	272
Other provisions	222	193
Long-term borrowings (Note 13)	2,040	3,912
Bank borrowings	1,985	3,851
Derivatives	54	47
Other financial liabilities	1	14
Amounts owing to group companies and associates falling due in more than one year (Note 15)	10,273	11,508
Deferred income tax liabilities (Note 17)	212	227
Other liabilities	81	--
Long-term accruals	1	1
<b>CURRENT LIABILITIES</b>	<b>3,231</b>	<b>4,386</b>
Short-term borrowings (Note 13)	246	328
Bank borrowings	233	270
Derivatives	9	44
Other financial liabilities	4	14
Amounts owing to group companies and associates falling due in less than one year (Note 15)	2,283	3,307
Trade and other payables (Note 16)	701	751
Trade payables	249	194
Trade payables, Group companies and associates	267	289
Sundry payables	129	140
Personnel (outstanding remuneration)	29	45
Other amounts payable to Public Administrations	27	83
Short-term accruals	1	--
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,542</b>	<b>33,965</b>

Notes 1 to 30 form an integral part of these annual accounts.

**Naturgy Energy Group, S.A.****Income statement****(million euro)**

	<b>2018</b>	<b>2017</b>
Revenue <i>(Note 18)</i>	4,527	5,053
Sales	3,464	3,139
Income from equity instruments of Group companies and associates <i>(Note 7)</i>	547	1,470
Income from marketable securities and other financial instruments of Group companies and associates	516	444
Supplies <i>(Note 19)</i>	(3,470)	(3,148)
Consumption of goods	(3,464)	(3,142)
Raw materials and other consumables	(6)	(6)
Other operating income <i>(Note 22)</i>	380	383
Supplementary income and other operating income	379	383
Operating grants released to the income statement	1	--
Personnel expenses <i>(Note 20)</i>	(262)	(234)
Wages, salaries and related expenses	(215)	(180)
Social Security	(33)	(39)
Provisions	(14)	(15)
Other operating expenses <i>(Note 21)</i>	(315)	(344)
External services	(304)	(342)
Taxes	(2)	(2)
Impairment loss and variation in trade provisions	(9)	--
Fixed asset depreciation/amortisation <i>(Notes 5 and 6)</i>	(98)	(91)
Impairment and results on disposals of fixed assets	5,025	(123)
Gain/(loss) on disposals of tangible fixed assets <i>(Note 6)</i>	1	3
Impairment and losses from equity instruments of Group companies and associates <i>(Note 7)</i>	(4,565)	(133)
Gain/(loss) on disposals of equity interests in Group companies and associates <i>(Note 7)</i>	9,589	7
<b>OPERATING PROFIT/(LOSS)</b>	<b>5,787</b>	<b>1,496</b>
Financial income	30	31
Negotiable securities and other financial instruments	30	31
- In third parties	30	31
Financial expenses	(536)	(586)
Borrowings from group companies and associates	(464)	(482)
Borrowings from third parties	(72)	(104)
Variation in fair value of financial instruments	8	1
Investments	8	1
Exchange differences	(8)	(1)
Impairment and gains/(losses) on disposals of financial instruments	1	--
Impairment due to disposals of financial instruments	1	--
<b>NET FINANCIAL INCOME <i>(Note 23)</i></b>	<b>(505)</b>	<b>(555)</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>5,282</b>	<b>941</b>
Income tax <i>(Note 17)</i>	--	82
<b>PROFIT FOR THE YEAR</b>	<b>5,282</b>	<b>1,023</b>
Basic and diluted earnings per share in euro	5.29	1.02

Notes 1 to 30 form an integral part of these annual accounts.

**Naturgy Energy Group, S.A.**  
**Statement of changes in equity**

<b>A) STATEMENT OF RECOGNISED INCOME AND EXPENSES</b>	<b>(million euros)</b>	
	<b>2018</b>	<b>2017</b>
<b>PROFIT FOR THE YEAR</b>	<b>5,282</b>	<b>1,023</b>
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	<b>(2)</b>	<b>(17)</b>
Cash flow hedges	(28)	(31)
Actuarial gains and losses and other adjustments <i>(Note 12)</i>	24	8
Tax effect <i>(Note 17)</i>	2	6
<b>RELEASES TO INCOME STATEMENT</b>	<b>1</b>	<b>3</b>
Cash flow hedges	1	4
Tax effect <i>(Note 17)</i>	--	(1)
<b>TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY</b>	<b>5,281</b>	<b>1,009</b>

*Notes 1 to 30 form an integral part of these annual accounts.*

**Naturgy Energy Group, S.A.**  
**Statement of changes in equity**

**B) TOTAL STATEMENT OF CHANGES IN EQUITY**

**(million euro)**

	Share capital	Share premium	Reserves	Treasury shares	Profit or loss brought forward	Profit for the year	Interim dividend	Other instruments	Adjustments for changes in value	Total
<b>Balance at 01.01.2017</b>	<b>1,001</b>	<b>3,808</b>	<b>7,898</b>	<b>(13)</b>	<b>--</b>	<b>1,067</b>	<b>(330)</b>	<b>--</b>	<b>13</b>	<b>13,444</b>
Total recognised revenues and expenses	--	--	6	--	--	1,023	--	--	(20)	1,009
Operations with shareholders or owners										
- Dividend distribution (Note 11)	--	--	--	--	(671)	--	(330)	--	--	(1,001)
- Trading in treasury shares (Note 11)	--	--	1	13	--	--	--	--	--	14
Other changes in equity (Note 11)	--	--	66	--	671	(1,067)	330	--	--	--
<b>Balance at 31.12.2017</b>	<b>1,001</b>	<b>3,808</b>	<b>7,971</b>	<b>--</b>	<b>--</b>	<b>1,023</b>	<b>(330)</b>	<b>--</b>	<b>(7)</b>	<b>13,466</b>
Total recognised revenues and expenses	--	--	15	--	--	5,282	--	4	(20)	5,281
Operations with shareholders or owners										
- Dividend distribution (Note 11)	--	--	--	--	(670)	--	(730)	--	--	(1,400)
- Trading in treasury shares (Note 11)	--	--	--	(121)	--	--	--	--	--	(121)
Other changes in equity (Note 11)	--	--	23	--	670	(1,023)	330	--	--	--
<b>Balance at 31.12.2018</b>	<b>1,001</b>	<b>3,808</b>	<b>8,009</b>	<b>(121)</b>	<b>--</b>	<b>5,282</b>	<b>(730)</b>	<b>4</b>	<b>(27)</b>	<b>17,226</b>

Notes 1 to 30 form an integral part of these annual accounts.

**Naturgy Energy Group, S.A.**
**Cash flow statement**
**(million euro)**

	2018	2017
<b>Profit for the year before tax</b>	<b>5,282</b>	<b>941</b>
<b>Adjustments to results</b>	<b>(5,461)</b>	<b>(1,124)</b>
Fixed asset depreciation/amortisation (Notes 5 and 6)	98	91
Impairment adjustments	4,574	133
Change in provisions	11	8
Profit/(loss) on write-offs and disposals of fixed assets	(2)	(3)
Profit/(loss) on write-offs and disposals of financial instruments	(9,589)	(7)
Financial income	(1,093)	(1,945)
Financial expenses	536	586
Exchange differences	8	1
Variation in fair value of financial instruments	(8)	(1)
Other income and expenses	4	13
<b>Changes in working capital</b>	<b>(180)</b>	<b>160</b>
Debtors and other receivables	(110)	114
Creditors and other payables	(70)	46
<b>Other cash flows from operating activities</b>	<b>1,292</b>	<b>695</b>
Interest paid	(523)	(593)
Dividends received	1,172	812
Interest collected	539	478
Income tax collections/(payments)	104	(2)
<b>Cash flows from operating activities</b>	<b>933</b>	<b>672</b>
<b>Amounts paid on investments</b>	<b>(14,894)</b>	<b>(1,304)</b>
Group companies and associates	(14,883)	(1,283)
Intangible assets	(1)	--
Property, plant and equipment	(10)	(16)
Other financial assets	--	(5)
<b>Amounts collected from divestments</b>	<b>17,709</b>	<b>1,032</b>
Group companies and associates	17,675	658
Property, plant and equipment	5	12
Other financial assets	29	362
<b>Cash flows from investing activities</b>	<b>2,815</b>	<b>(272)</b>
<b>Collections and payments on equity instruments</b>	<b>(110)</b>	<b>14</b>
Acquisition of own equity instruments	(416)	--
Disposal of own equity instruments	306	14
<b>Collections and payments financial liability instruments</b>	<b>(3,069)</b>	<b>1,638</b>
Issuance	8,431	8,983
Bank borrowings	178	969
Payables to Group companies and associates	8,252	8,014
Other payables	1	--
Repayment/redemption of	(11,500)	(7,345)
Bank borrowings	(2,083)	(261)
Payables to Group companies and associates	(9,381)	(7,057)
Other payables	(36)	(27)
<b>Dividend payments</b>	<b>(1,400)</b>	<b>(1,001)</b>
<b>Cash flow from financing activities</b>	<b>(4,579)</b>	<b>651</b>
<b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS</b>	<b>(831)</b>	<b>1,051</b>
Cash and cash equivalents at the beginning of the year	1,553	502
Cash and cash equivalents at the year end	722	1,553

Notes 1 to 30 form an integral part of these annual accounts.

**Naturgy Energy Group, S.A.**

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## **Notes to the annual accounts of Naturgy Energy Group, S.A. for the year ended 31 December 2018**

### **Note 1. General information**

Naturgy Energy Group, S.A. ("the Company"), the parent company of the Naturgy group ("Naturgy"), was incorporated as a public limited company in 1843 and its registered office for corporate purposes is in Avda. de San Luis 77, Madrid. On 27 June 2018, the shareholders, in general meeting, agreed to change the company's business name to Naturgy Energy Group, S.A., formerly Gas Natural SDG, S.A.

The company's corporate purposes, as per its articles of association, comprise the following activities:

- a) All types of activities related to the gas and electricity business and any other type of existing energy source, the production and selling of electrical, electro-mechanical and electronic equipment and components, management of architectural projects, civil engineering works, public services and gas and hydro-carbon distribution in general; management of communications and telecommunications networks and maintenance of electro- and gas-related appliances; as well as consulting, business and energy planning services and the rationalisation of energy use, research, development and exploitation of new technologies, communications, computer and industrial security systems; training and selection of human resources and real estate management and development.
- b) The activity as a holding company, incorporating companies or holding shares as a stakeholder or shareholder in other companies no matter what their corporate purposes or nature, by subscribing, acquiring or holding shares, stakes or any other securities deriving from the same, subject to compliance with the legal requirements in each and every case.

The Company's most relevant ordinary activity is the administration and management of its shareholdings in subsidiaries. It also has gas supply contracts for other Naturgy companies and in the electricity area it acts as representative of the Naturgy generation and supply companies before the Electricity Market.

The Company's shares are listed on the four Spanish stock exchanges, the continuous market and form part of the Ibex 35 stock index.

### **Note 2. Basis of presentation**

The Company's annual accounts for 2017 were approved by the annual general meeting of shareholders on 27 June 2018.

The annual accounts for 2018, which were drawn up and signed by the Company's Board of Directors on 29 January 2019, will be submitted to the general shareholders' meeting for approval; they are expected to be approved without any changes.

The accompanying Annual accounts have been prepared on the basis of the Company's accounting records and are presented in accordance with prevailing commercial legislation and the provisions of the Chart of Accounts introduced under Royal Decree 1514/2007 (16 November), as amended by Royal Decree 1159/2010 (17 September) and Royal Decree 602/2016 (2 December), so as to present fairly the Company's equity and financial position at 31 December 2018, and the results, changes in equity and cash flows of the Company for then ended.

At 31 December 2018, the Company recorded working capital which was negative by Euros 1,006 million. In this respect, the Company's liquidity statements envisaged for the coming year, with the amounts available under credit lines, will ensure coverage of the working capital.

The figures set out these Annual accounts are expressed in million euros, unless otherwise stated.

The consolidated Annual accounts of Naturgy for 2018 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in accordance

with Regulation (EU) 1606/2002 of the European Parliament and the Council. The main figures disclosed in the consolidated Annual accounts, which have been audited, are as follows:

Total assets	40,631
Equity attributed to the parent company	10,948
Non-controlling interests	3,647
Revenue	24,339
Net income after tax attributed to the parent Company	(2,822)

### **Note 3. Accounting policies**

The main accounting principles applied by the Company to prepare these annual accounts are described below.

#### **3.1. Intangible assets**

Intangible assets are carried at acquisition price or production cost, or at fair value in the case of assets acquired through a business combination, less accumulated amortisation and any recognised impairment losses.

##### *a) Goodwill*

Goodwill represents the excess, on the date of acquisition, of the cost of a business combination over the fair value of the net identifiable assets acquired at the date of the operation. Consequently, goodwill is only recognised when it has been acquired for valuable consideration and relates to the future economic profits from assets that have not been identified individually and recognised separately.

Goodwill is amortised over ten years using the straight-line method. Goodwill is tested annually to analyse possible impairment losses. It is recognised in the consolidated balance sheet at cost value less amortisation and any cumulative impairment adjustments.

The impairment of goodwill cannot be reversed.

##### *b) Other intangible assets*

Costs associated directly with the production of computer software programs that are likely to generate economic profits greater than the costs related to their production are recognised as intangible assets. The direct costs include the personnel costs that has developed the computer programs.

Computer software development costs recognized as assets are amortised on a straight–line basis over a period of five years as from the time the assets are prepared to be brought into use.

Research expenditure is recognised in the income statement when incurred.

The Company has no intangible assets with an indefinite useful life.

#### **3.2. Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment provision.

##### *a) Cost*

Property, plant and equipment are carried at acquisition price or production cost, or at the value attributed to the asset if it is acquired as part of a business combination.

Financial costs relating to financing for plant projects during the plant construction period to the date the asset is ready for use form part of property, plant and equipment.

Renewal, extension or improvement costs are capitalised as an increase in the asset's value only when its capacity, productivity or useful life increases.

Own work capitalised under Property, plant and equipment relates to the direct cost of production.

Expenses arising from actions designed to protect and improve the environment are expensed in the year they are incurred.

When such costs entail additions to property, plant and equipment the purpose of which is to minimise the environmental impact and to protect and improve the environment, they are accounted for as an increase in the value of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the Income statement.

*b) Depreciation*

The assets are depreciated on a straight-line basis over their useful lives or the concession term, if shorter. Estimated useful lives are as follows:

	Estimated useful life years
Buildings	33 – 50
Computer hardware	4
Vehicles	6
Other	3 - 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date.

When the carrying value of an asset is greater than its estimated recoverable amount or when it is no longer useful, its value is written down immediately to its recoverable amount (Note 3.3).

**3.3. Asset impairment**

Assets are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might not be recoverable. Additionally, investments in group companies, goodwill and intangible assets that are not in use are tested annually for impairment.

When the recoverable amount is less than the asset's carrying amount, an impairment loss is recognised through profit and loss for the amount of the difference between the two. The recoverable amount is calculated at the higher of an asset's fair value less costs of sale and value in use calculated by applying the discount cash flow method. The Company considers value in use as the recoverable amount, calculated as described below.

For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows. Assets and goodwill are assigned to these cash-generating units (CGUs).

For investments in group companies and associates, barring investments the recoverable amount of which is determined based on the investee's equity (Note 3.4), which have required an analysis of potential impairment losses, the cash flows employed are based on the Strategic Plan approved by the Company, updated where appropriate by the most recently approved budgets and extended to a maximum total of five years on the basis of regulations and expected market evolution, drawing on available industry forecasts and historical experience of price trends and volumes produced.

The cash flows after the five-year projected period are extrapolated using the growth rates estimated for each CGU or group of CGUs, and in no case exceed the average long-term growth rate for the business in which they operate. In all cases, they are lower than the growth rates stated in the strategic plan. Additionally, in order to estimate future cash flows in the calculation of residual values, all maintenance

investments have been considered and, if applicable, renewal investments necessary to maintain the CGUs' production capacity.

The parameters taken into account to determine the growth rates, which represent the long-term growth of each line of business, are in line with the long-term growth of the country, obtained from estimated inflation for the period 2021 to 2045 according to the Economist Intelligence Unit (EIU).

The parameters taken into account for the composition of the discount rates before taxes are as follows:

- Risk free rate: Considering the 10-year Bond reference market for the CGU as well as studies of the European Central Bank, the Bank of Spain and others.
- Market risk premium: Premium based on studies of the European Central Bank, the Bank of Spain and others.
- Deleveraged Beta: According to average of each sector in each case, obtained from Bloomberg.
- Local current interest rate swaps: 10-year swap, obtained from Bloomberg.
- Equity-debt ratio: Sector average.

Impairment adjustments to values recognised in previous periods for investments in Group companies and associates may be reversed if and only if there is a change in the estimates used to determine their recoverable amount since the latest impairment loss was recognised.

### **3.4. Financial assets and liabilities**

The Company classifies its financial assets and liabilities based on their valuation which is determined on the basis of the business model and the characteristics of the contractual cash flow.

#### Investments in the equity of group and multi-group companies and associates

These are stated at the lower of cost of acquisition or fair value, if the investments are acquired through a business combination, and the recoverable value. The recoverable value is determined as the larger of fair value minus cost of sale and the current value of the cash flows generated by the investment. If there is no better evidence of recoverable value, recoverable value will be the equity of the investee company adjusted by any tacit capital gains subsisting at the valuation date. The value adjustment, and as the case may be, its reversal, is recorded on the income statement in which it takes place.

In non-cash contributions of a business to a group company, the investment is measured at the carrying amount of the assets and liabilities contributed, as per the consolidated Annual accounts on the transaction date.

The consolidated Annual accounts of the largest group or subgroup into which the assets and liabilities are integrated, where the parent is a Spanish company, are used.

In mergers and spin-offs between group companies that involve the group's parent, directly or indirectly, the assets and liabilities acquired are measured at the amount that would be reflected in the group's Consolidated Annual accounts following the transaction. The difference between the cost of the shares handed over and the carrying amount of the assets and liabilities acquired, in the group's Consolidated annual accounts, is recognised under "Reserves" in the balance sheet.

#### Investments

Purchases and sales of investments are recognized on trade-date, which is the date on which the Company commits to purchase or sell the asset, and are classified under the following categories:

##### *a) Loans and receivables*

These are non-derivative financial assets, with fixed or determinable pay outs, that are not listed on an active market, and for which there is no plan to trade in the short-term. They include current assets,

except for those maturing after twelve months as from the balance sheet date that are classified as non-current assets.

They are initially recorded at their fair value and then at their amortised cost using the effective interest rate method.

The necessary value adjustments due to impairment are made if there is objective evidence that the entire amount owed will not be collected. The provision is the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the effective interest rate.

*b) Held-to-maturity financial assets*

These are assets representing debt with fixed or determinable pay outs and fixed maturity which the Company plans to and can hold until maturity. The valuation criteria for these investments are the same as those for loans and financial receivables.

*c) Fair value financial assets through profit or loss*

These are assets acquired for short-term sale. Derivatives form part of this category unless they are designated as hedges. These financial assets are stated, both initially and in later valuations, at their fair value, and the changes in their value are taken to the income statement for the year.

*d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative debt or equity instruments that are not designated in either category.

They are recognised at fair value. Unrealised gains and losses that arise from changes in fair value are recorded in equity. When these assets are sold or impaired over a lengthy period of time, the accumulated adjustments to the reserves due to valuation adjustments are included in the Income statement as gains and losses.

The fair values of quoted investments are based on current bid prices. In the case of shareholdings in unlisted companies, fair value is determined using valuation techniques that include the use of recent transactions between willing and knowledgeable parties, references to other instruments that are substantially the same and the analysis of discounted future cash flows. If none of these techniques can be used to determine fair value, investments are carried at cost less any impairment loss.

Financial assets are written off when the contractual rights to the asset's cash flows have expired or they have been transferred; in the latter case, the risks and rewards of ownership must have been substantially transferred. Financial assets are not written off, and a liability is recognised in the same amount as the payment received, in asset assignments where the risks and rewards of ownership are retained.

### Cash and cash equivalents

Cash and cash equivalents include cash at hand, time deposits with financial entities and other short-term investments noted for their great liquidity with an original maturity no longer than three months as from the acquisition date.

### Borrowings

Borrowings are initially recognised at their fair value, net of the transaction costs that they may have incurred. Any difference between the amount received and the repayment value is recognised in the income statement during the period of repayment using the effective interest rate method.

Borrowings are classified as current liabilities unless they mature in more than twelve months as from the balance sheet date, or include tacit one-year prorogation clauses that can be exercised by the Company.

## Trade and other payables

Trade and other current payables are financial liabilities that fall due in less than twelve months that are stated at their fair value and do not accrue explicit interest. They are accounted for at their nominal value. Those maturing in more than twelve months are considered non-current payables.

### **3.5. Financial derivatives and other financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the asset being hedged.

Naturgy aligns its accounting with its management of financial risk. Risk management objectives and the hedging strategy are reviewed periodically and a description of the risk management objective pursued is carried out.

In order for each hedging operation to be considered effective, the Company documents that the economic relationship between the hedging instrument and the hedged asset is aligned with their entity's risk management objectives.

The market value of the different financial instruments is calculated using the following procedures:

- Derivatives listed on an official market are calculated on the basis of their year-end quotation.
- Derivatives that are not traded on official markets are calculated on the basis of the discounting of cash flows based on year end market conditions based on market conditions as at balance sheet date or, for some non-financial items, on best estimation on forward curves of said non-financial item.

The fair values are adjusted for the expected impact of observable counterparty credit risk in positive valuation scenarios and the impact of observable credit risk in negative valuation scenarios.

The embedded derivatives in other non-financial instruments are booked separately as derivatives only when their economic characteristics and tacit risks are not closely related to the instruments in which they are embedded and when the whole is not being booked at fair value through profit and loss.

For accounting purposes, the operations are classified as follows:

#### *1. Derivatives eligible for hedge accountings*

##### *a) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognised in the Income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

##### *b) Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income statement.

Amounts accumulated in equity are reclassified to the Income statement in the periods when the hedged item will affect profit or loss.

##### *c) Hedges of net foreign investments*

Fair value hedge accounting is applied to the differences arising from the exchange rates on loans in foreign currency for financing foreign investments in group and multi-group companies and associates made in the same functional currency.

## *2. Derivatives that do not qualify for hedge accountings*

Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income statement.

## *3. Energy purchase and sale agreements*

During the normal course of its business the Company enters into energy purchase and sale agreements which in most cases include "take or pay" clauses. by virtue of which the buyer takes on the obligation to pay the value of the energy contracted irrespective of whether the buyer receives it or not. These agreements are executed and maintained in order to meet the needs of receipt of physical delivery of energy projected by the Company in accordance with the energy purchase and sale estimates made periodically, which are monitored systematically and adjusted always may be by physical delivery. Consequently, these are negotiated contracts for "own use", and, accordingly, lie beyond the standards on valuation of financial instruments.

### **3.6. Non-current assets held for sale and discontinued operations**

The Company classifies as held-for-sale assets those assets for which, at the year end, active initiatives have been initiated for their sale, which is estimated to take place within the next twelve months.

Additionally, the Company considers discontinued activities the components (cash generating units or groups of cash generating units) that make up a business line or geographic area of operations, which are significant and which can be considered separately from the rest, and which have been sold or disposed by other means or which meet the conditions to be classified as held-for-sale. Entities acquired solely for resale are also classed as discontinued operations.

These assets are stated at the lower of their carrying value and fair value minus the costs necessary for their sale and are not subject to depreciation, since the date they are classified as non-current assets held for sale.

In the event of delays caused by events or circumstances beyond Naturgy's control and there is sufficient evidence that the commitment to the plan to sell those classified as held for sale is maintained, the classification is maintained even though the period to complete the sale is extended beyond one year.

### **3.7. Share capital**

Share capital is represented by ordinary shares.

Incremental costs directly attributable to the issue of new shares or options, net of taxes, are deducted from equity as a deduction from Reserves or share premium in the case of issues of capital with premiums.

Dividends on ordinary shares are recognised as a deduction from equity in the period they are approved.

Acquisitions of treasury shares are recorded at acquisition cost, deducted from equity until disposal. The gains and losses on disposal of treasury shares are recognised under "Reserves" in the Balance sheet.

### **3.8. Share-based payments**

Share-based and share-settled payments are measured by reference to the fair value of the equity instruments granted on the grant date.

The resulting cost is recognised under Personnel expenses in the income statement as the services are rendered by the employees during relevant vesting period, with a balancing entry in Other equity instruments in the balance sheet.

The amounts recognised in equity are not subject to a subsequent reassessment due to trends in external market conditions.

### **3.9. Earnings per share**

Basic earnings per share are calculated as a quotient between profit or loss for and the average weighted number of ordinary shares in circulation during this period excluding the average number of treasury stock held by the Company.

Diluted earnings per share are calculated as a quotient between profit or loss for attributable to the ordinary shareholders adjusted by the effect attributable to the potential ordinary shares having a dilutive effect and the average weighted number of ordinary shares in circulation during this period, adjusted by the average weighted number of ordinary shares that would be issued if all the potential ordinary shares were converted into ordinary shares of the Company. Accordingly, the conversion is considered to take place at the beginning of the period or at the time of issue of the potential ordinary shares, if these have been placed in circulation during the period itself.

### **3.10. Borrowings and equity instruments**

Borrowings and equity instruments issued by Naturgy are classified based on the nature of the issue.

Naturgy treats all contracts that represent a residual share in net assets as equity instruments.

Equity instrument issuance costs are presented as a deduction in equity.

### **3.11. Provisions for employee obligations**

#### *a) Post-employment pension obligations and the like*

- Defined contribution plans

The Company, together with other group companies, is the promoter of a joint occupational pension plan, which is defined contribution plan for retirement and a defined benefit plan for the so-called risk contingencies, which are assured.

Additionally, there is a defined contribution plan for a group of executives, for which the Company undertakes to make certain contributions to an insurance policy, guaranteeing this group a yield of 125% of the CPI of the contributions made to the insurance policy. All the risks have been transferred to the insurance company, since it insures the guarantee indicated above.

The contributions made have been recognised in "Staff costs" in the Income statement.

- Defined benefit plans

For certain groups of employees there are commitments for defined benefit schemes in relation to the payment of supplements on retirement, death and disability pensions, in accordance with the benefits agreed by the entity, which have been transferred out of the company in the form of single premium insurance policies under Royal Decree 1588/1999 of 15 October, which adopted the Regulations on the instrumentation of pension commitments.

The liability recognised on the Balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the Balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial losses and gains arising from changes in actuarial assumptions or from differences between assumptions and reality are recognised entirely in the period in which they arise, directly in equity, in "Reserves".

Past service costs are recognised immediately in the Income statement, in "Staff costs".



*b) Other post-employment benefit obligations*

The Company provides post-employment benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions, are charged or credited to income in "Reserves".

*c) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company terminates the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits. In the event that mutual agreement is required, the provision is only recorded in those situations in which the Company has decided to give its consent to voluntary redundancies once they have been requested by the employees.

### **3.12. Provisions**

Provisions are recognized when the Company has a legal or implicit present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the Company's best estimate of expenditure required to settle the present obligation at the Balance sheet date.

When it is expected that part of the disbursement needed to settle the provision is paid by a third party, the payment is recognised as a separate asset, provided that its receipt is practically assured.

In the contracts in which the obligations borne include inevitable costs greater than the economic profit expected to be received from them, the expenses and respective provisions are recognised in the amount of the current value of the existing difference.

### **3.13. Leases**

*a) Finance leases*

Leases of property, plant and equipment where the lessee substantially bears all the risks and rewards of ownership are classified as finance leases.

These leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the lease payments, including the purchase option. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The payment obligation arising from the lease, net of the finance charge, is recognised in liabilities in the balance sheet. The interest component of the finance charge is taken to the income statement over the term of the lease so as to produce a constant periodic rate of interest on the debt pending payment for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life.

*b) Operating leases*

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Operating lease payments are charged to the income statement on a straight-line basis over the lease term.

### **3.14. Corporate income tax**

Corporate income tax expense includes the deferred tax expense and the current tax expense, which is the amount payable (or refundable) on the tax profit for the year.

Deferred taxes are recorded by comparing the temporary differences that arise between the taxable income on assets and liabilities and their respective accounting figures in the Annual accounts used the tax rates that are expected to be in force when the assets and liabilities are realized. No deferred tax liabilities are recognised for profits not distributed from the subsidiaries when Naturgy can control the reversal of the timing differences and it is likely that they will not reverse in the foreseeable future.

Deferred tax arising from direct charges or credits to equity accounts are also charged or credited to equity.

Deferred tax assets and tax credits are recognised only to the extent that it is probable that future taxable income will be available against which to offset temporary differences and apply tax credits.

When tax rates change, deferred tax assets and liabilities are reestimated. These amounts are charged or credited to losses or profits, or to Reserves, depending on the account to which the original amount was charged or credited.

### **3.15. Recognition of income and expenses**

#### *a) General*

Sales are recognised when products are delivered to the customer and have been accepted by the customer, even if they have not been invoiced, or if applicable, services are rendered, and it is probable that the economic benefits associated with the transaction will flow to the entity. Revenue for the year includes the estimate of the energy supplied that has not yet been invoiced.

The expenses are recognised on an accruals basis, immediately in the case of disbursements that are not going to generate future economic profits or when the requirements for recording them as assets are not met.

Sales are stated net of tax and discounts.

#### *b) Other income and expenses*

In accounting for revenues from the service provision agreements is used the percentage realisation method in which, when the income can be reliably estimated, it is recorded on the basis of the degree of progress in the completion of the contract at the year end, calculated as a proportion of the costs incurred at that date of the estimated costs required to fulfil the contract.

If the income from the contract cannot be estimated reliably, the costs (and respective income) are recorded in the period in which they are incurred, provided that the former can be recovered. The contract margin is not recorded until there is certainty of its materialisation, based on cost and income planning.

In the event that the total costs exceed the contract revenues, this loss is recognised immediately in the Income statement for the year.

Interest incomes and expenses are recognised using the effective interest method.

Dividend income is recognised when the right to collect the dividend is established.

The holding of shares in Group companies and associates is deemed to be the Company's most relevant ordinary activity from which periodic revenue is obtained. In accordance with the stance adopted by the Spanish Institute of Accounting and Auditing ("ICAC") in connection with the calculation of net revenue in holding companies (Reply number 2 in ICAC Official Gazette number 79), dividends from Group companies and associates, and interest received on loans granted to Group companies and associates,

are recognised as “Revenue”. Additionally, the item “Impairment and results on disposal of equity instruments of Group companies and associates” is included in “Operating profit/(loss)”.

### **3.16. Foreign currency transactions**

Foreign currency transactions are translated to euro using the exchange rates in force at the transaction dates. Gains and losses resulting from the settlement of these transactions and translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

### **3.17. Transactions between related parties**

In general, transactions between related parties are recorded initially at their fair value. If the agreed price differs from its fair value, the difference is recorded taking into account the economic reality of the operation. The later valuation is made in accordance with the provisions of the respective legislation.

Notwithstanding the above, in merger, de-merger or non-cash contribution operations of a business, the assets that make up the acquired business are stated at the amount corresponding to the same once the operation takes place in the consolidated annual accounts of Naturgy.

In these cases, the difference that could arise between the net value of the assets and liabilities of the acquired company, adjusted by the balance of the groupings of grants, donations and bequests received, or any value adjustments or capital or share premiums, as the case may be, issued by the merging company, is recorded under “Reserves” in the balance sheet.

### **3.18. Business combinations**

Business combinations are recorded using the acquisition method. The cost of an acquisition is calculated using the fair value of the assets given, the equity instruments issued and the liabilities incurred or borne on the transaction date plus the costs directly attributable to the acquisition. The valuation process required in order to use the acquisition method is completed within the period of one year as from the acquisition date.

The identifiable assets acquired and the liabilities or contingent liabilities incurred or borne as a result of the transaction, are initially stated at their fair value at the date of acquisition, provided that this can be reliably measured.

The surplus cost of the acquisition in relation to the fair value of the shareholding of the Company in the net identifiable assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the Income statement.

### **3.19. Cash flow statement**

The cash flow statements has been prepared using the indirect method and contain the use of the following expressions and their respective meanings:

- a) Operating activities: activities that constitute ordinary Company revenues, as well as other activities that cannot be qualified as investing or financing.
- b) Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- c) Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

### **3.20. Significant accounting estimates and judgments**

The preparation of Annual accounts requires the formulation of estimates and judgments. The valuation standards that require a large number of estimates are set out below:

*a) Intangible assets and Property, plant and equipment (Notes 3.1 and 3.2)*

The determination of useful life of intangible assets and property, plant and equipment requires estimates of their degree of use, as well as expected technological evolution. The assumptions regarding the degree of use, technological framework and future development involve a significant degree of judgement, insofar as the timing and nature of future events are difficult to foresee.

*b) Impairment of assets (Note 3.3)*

The estimated recoverable value of the CGU applied to the impairment tests has been determined using the discounted cash flows based on the projections approved by the Company, which have historically been substantially met.

*c) Derivatives or other financial instruments (Note 3.5)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the Balance sheet date. The quoted market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the Balance sheet date. The fair value of commodity derivatives is calculated by using forward prices curves. The recoverable value of the investments in the equity of group and multi-group companies and associates is determined as the greater of their fair value less costs of sale and the current value of the cash flows from the investment.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

*d) Provisions for employee benefits (Note 3.11)*

A number of assumptions must be used to calculate pension costs, other costs of post-retirement benefits and other post-retirement liabilities. The Company estimates at each year end the provision necessary to meet its pension liabilities and the like, in accordance with the advice from independent actuaries. The changes affecting such assumptions may result in the recording of different amounts and liabilities. The most significant assumptions for the measurement of pension or post-retirement benefit liabilities are energy consumption by beneficiaries during retirement, retirement age, inflation and the discount rate employed. Social security coverage assumptions are also essential to determine other post-retirement benefits. Future changes to these assumptions will have an impact on future pension costs and liabilities.

*e) Provisions (Note 3.12)*

The Company makes an estimate of the amounts to be settled in the future, including amounts relating to contractual obligations, outstanding litigation, restoration of land or other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects.

f) *Income tax (Note 3.14)*

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which the Company operates. The determination of expected outcomes of outstanding disputes and litigation requires the preparation of significant estimates and judgment. The Company evaluates the recoverability of the deferred income tax assets based on estimates of future taxable income. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

#### **Note 4. Asset impairment**

##### Definition of Cash Generating Unit

Following the approval on 27 June 2018 of the new Strategic Plan 2018-2022 which has introduced a new industrial and business unit model, and aligned the new structure with the new vision and management method for the lines of business and cash flows under the new Strategic Plan, a new definition of the Cash Generating Units (CGU) has been introduced, as follows:

- Gas and Electricity:
  - Supply of gas, electricity and services: The commercial management of natural gas, electricity and services is carried out on a comprehensive basis, maximising the value of the portfolio by focusing on customers and with high potential for growth in services and solutions, for which there is a single CGU.
  - International LNG sales: There is considered to be a single CGU, since the supply of liquefied natural gas and the maritime transport activity are managed on a global level.
  - Electricity Generation Europe: It is considered that there is a CGU for conventional electricity generation (hydro, coal, nuclear and combined cycle plants) and another CGU for renewable electricity generation (wind, mini-hydro, solar and cogeneration) taking into account the new strategic vision of the Spanish electricity market, with a greater presence in renewables and greater volatility in hourly prices, which requires specialisation in the management of conventional and renewable generation focused, respectively, on cost adjustment and an increase in the installed capacity, in line with the reorganisation carried out.

In the past, these activities formed part of single CGU because they were managed and controlled jointly and centralised based on conditions of demand, where all power plants using different technologies played a major, complementary and necessary role in light of different market situations, providing the electricity required by customers at any given time. However, as a result of the auctions carried out during 2017 in which Naturgy was awarded a total capacity of 971 MW for wind and solar energy, the generation of renewable electricity will increase from 8% in 2017 with respect to conventional generation to more than 30% in 2020, increasing the quantitative contribution of income, investments and results, which are increasingly affected by the availability of parks, the volatility of electricity prices and the revisions of supplements remuneration, all of which means that the cash inflows from said renewable generation assets are considered independent of those from conventional generation assets for scale substantial increase.

- International Electricity Generation: A CGU is understood to exist in each country in which there are operations (Brazil, Costa Rica, Mexico, Panama, Dominican Republic, Puerto Rico, Australia and Chile) since the businesses are subject to different regulatory frameworks and are managed independently.
- EMEA Infrastructures:
  - Gas distribution Spain: Is a single CGU as the development, operation and maintenance of the gas distribution network is managed jointly.

- Electricity Distribution Spain: This makes up a single CGU since the network comprises a group of interrelated assets the development, operation and maintenance of which is managed jointly.
- Maghreb Infrastructures: Is a single CGU which manages the Maghreb - Europe gas pipeline.
- Latin America South Infrastructures: A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Argentina, Brazil, Chile and Peru and the regulated electricity distribution business in Argentina and Chile.
- Latin America North Infrastructures: A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Mexico and the regulated electricity distribution business in Panama.
- Remainder: Basically includes the Unión Fenosa Gas CGU and the gas storage business.

In summary, and with respect to the previous year, the Electricity Spain CGU has been divided into: i) Supply of electricity; ii) Generation of conventional electricity; and iii) Generation of renewable electricity.

#### Information on recognised impairments

In 2017 an impairment of Euros 109 million was recognised with respect to the 50% interest in Unión Fenosa Gas, S.A. due to the change in the contribution to the consolidated figures of the interest in said company, and Euros 23 million for the shareholding in Unión Fenosa Minería, S.A.

In 2018, following the approval of the new Strategic Plan 2018-2022, impairments of shareholdings in Group companies and associates amounting to Euros 4,565 million have been recognised under “Impairment of and losses from equity instruments of Group companies and associates” in the income statement, arising from the revaluation of future cash flow estimates based on said Plan or by other factors arising in the period, which are detailed as follows:

- Euros 3,401 million for the shareholding in Naturgy Generación, S.L.U.

Due to the existence of impairment evidence, following the approval of the new Strategic Plan and taking into account external reports by analysts that regularly cover the Naturgy monitoring that indicate a value for the electricity business in Spain which is lower than the relevant carrying value, an impairment analysis has been carried out on the three CGUs that made up the Electricity CGU in Spain in previous years: conventional electricity generation, renewable electricity generation and electricity supply. Impairment was detected only with respect to the conventional electricity generation CGU in Spain.

The new assumptions and projections that affect these CGUs are based on the new Strategic Plan 2018-2022, approved by the Board of Directors following the last General Shareholders' Meeting which update those that had been used to date, and have been determined: i) in the light of the new sector variables for the next five-year period, ii) taking into account the uncertainty regarding the role of certain generation assets in the energy transition policy (coal, nuclear and combined cycles) and consequently the development of the associated risks, iii) considering the greater presence forecast in renewables, iv) considering the increasing volatility of prices in the electricity wholesale market and emission allowances and v) assessing the references provided by very recently announced transactions in conventional electricity generation assets in Spain.

The assumptions taken into consideration are the following:

	2018	2019	2020	2021	2022
<b>Evolution of Spanish GNP</b>	2.70%	2.20%	1.90%	1.70%	1.70%
<b>Pool price €/MWh</b>	58.5	56.8	54.8	51.3	50.3
<b>Brent (USD/bbl)</b>	75.3	75.5	71.0	67.8	65.6
<b>Gas Henry Hub (USD/MMBtu)</b>	2.9	2.8	2.7	2.7	2.7
<b>Coal (API2 CIF ARA) (USD/t)</b>	89.6	88.0	85.2	82.9	81.9
<b>CO<sub>2</sub> €/t</b>	14.0	16.1	16.3	16.6	17.0

The most sensitive aspects that are included in the new estimate of the recoverable amount determined according to the value in use and applying the methodology detailed in Note 3.3 are the following:

- Electricity generated. Market demand evolution has been estimated based on the consensus expressed by several international bodies. The share has been estimated based on Naturgy's market share in each technology and on the expected evolution of each technology's share of the total market, assuming an average year for hydro generation purposes. The main variation with respect to past projections is a decrease in conventional production in line with the expected future evolution of the conventional generation mix.
- Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts. The main variation with respect to the past projections is that, as a result of this analysis, price paths have been obtained which, as a result of the above-mentioned uncertainty over energy policy in Spain, have been adjusted downwards on average with futures curves and analysts' forecasts. The sources used for analysts' forecasts relate to IHS CERA.
- Fuel costs. Estimated by reference to long-term supply contracts concluded by Naturgy, the forecast evolution of price curves and market experience. The main variation with respect to past projections corresponds to an increase in the cost of emission allowances based on the evolution of futures curves and analysts' forecasts (IHS CERA).
- Operation and maintenance costs. Estimated from historical costs of managed park.
- Taxes established by Law 15/2012.

In addition, a long-term growth rate of 1.9% and a pre-tax discount rate of 7.0% have been used for the conventional electricity generation CGU. The discount rate has been determined specifically for the new CGU based on the risks associated with it in a manner consistent with those considered in the estimates of future cash flows. In 2017 the long-term growth rate for the Electricity Spain CGU was 2.2%, while the pre-tax discount rate applied for said CGU was 6.3%.

The recoverable amount calculated as the value in use of the conventional electricity generation CGU, which is equivalent to its carrying value, was Euros 3,591 million. A sensitivity analysis was carried out independently for each of the following variations in the key assumptions:

- An increase in the discount rate of 50 basis points would increase impairment by Euros 333 million.
- A decrease in the growth rate of 50 basis points would increase impairment by Euros 258 million.
- A decrease in electricity output of 5% would increase impairment by Euros 203 million.
- An increase in fuel costs of 5% would increase impairment by Euros 364 million.
- A decrease in electricity prices of 5% would increase impairment by Euros 528 million.

Accumulated impairment at 31 December 2018 recognised for the holding in Naturgy Generación, S.L.U. amounted to Euros 3,401 million.

- Euros 729 million relates to the impairment of the 50% interest in Unión Fenosa Gas.

Since 2014, Egyptian Natural Gas Holding (EGAS), an Egyptian public company, ceased to supply gas to Unión Fenosa Gas and stopped paying the utilisation fee for the Damietta liquefaction plant in Egypt. This led Unión Fenosa Gas to file various arbitration petitions, the progress of which is described in Note 27. As a result of impairment already arising prior to 2017, the recoverable value of Unión Fenosa Gas was approximately equivalent to its carrying value and therefore any negative variation in the assumptions meant that the recoverable value would be less than the carrying value.

The most significant matters included in the impairment test are as follows:

- Gas volumes to be supplied from each supply source. The main causes of the differences between the past and current cash flow projections are the decrease in the volumes of gas to be supplied from Egypt and to liquefying at the plant during the Strategic Plan 2018-2022 because the agreement with EGAS has still not materialised and due to the delays in coming to an agreement with EGAS that would enable the plant to be reactivated and supplies to recommence. Naturgy continues to be confident that the resolution of the arbitration processes will enable a commercial agreement to be reached, enabling the recommencement of gas supplies to the plant as swiftly as possible.
- Gas supply costs. In accordance with the prices of the long-term contracts entered into by Unión Fenosa Gas and expected price fluctuations in spot markets based on the change in the composition of gas volumes affected by the situation in Egypt.
- Selling price of natural gas. Valued using predictive modelling based on the forecast performance of price curves and experience in the markets where Union Fenosa Gas operates.

A long-term growth rate of 1.9% (1.8% in 2017) and a pre-tax discount rate of 15.1% (13.4% in 2017) have been used.

The accumulated impairment at 31 December 2018 relating to the 50% interest in Unión Fenosa Gas amounts to Euros 2,100 million (Euros 1,371 million at 31 December 2017). At 31 December 2018, the recoverable amount calculated as the value in use of Unión Fenosa Gas, which is equivalent to its carrying value, was Euros 340 million (Note 7). A sensitivity analysis has been carried out for an increase in the discount rate of 50 basis points which would increase impairment by Euros 16 million.

- Euros 140 million relating to the impairment of the shareholding in Naturgy Informática, S.A. for the impairment of computer software, resulting from the review thereof under the new Strategic Plan 2018-2022 and taking obsolescence into account.

Accumulated impairment at 31 December 2018 recognised for the holding in Naturgy Informática, S.A. amounted to Euros 140 million.

- Euros 70 million for the impairment of the 32.3% holding in Petroleum Oil & Gas España, S.A. due to the lack of feasibility of this company's projects.

The accumulated impairment at 31 December 2018 recognised for the holding in Petroleum Oil & Gas España, S.A. amounted to Euros 70 million.

Impairment has also been recognised with respect to the following assets:

- Euros 207 million impairment of the holding in Unión Fenosa Minería, S.A. due to the difference between the carrying value of the interest in the coalfield in South Africa (Kangra Coal (Proprietary) LTD) and the price at which it was sold.

Accumulated impairment at 31 December 2018 recognised for the holding in Unión Fenosa Minería, S.A. amounting to Euros 242 million.

- Euros 18 million other impairment of holdings in group companies, recognised on the basis of its equity.

#### Information on other impairment tests performed

As regards the remaining CGUs or groups of CGUs that have been allocated goodwill or intangible assets with an indefinite useful life, in 2018 and 2017 the recoverable amounts, calculated according to the methodology described in Note 3.3., have been higher than the carrying values recorded in these annual accounts. The most sensitive aspects that are included in the projections used and which are based on industry forecasts and historical experience are as follows:



- Supply of gas, electricity and services:
  - Supply margin. Projections have been used on the evolution of the number of customers and unitary margins based on existing contracts and the knowledge of the markets in which it operates.
  - In addition, a long-term growth rate of 1.9% and a pre-tax discount rate of 6.8% have been used for this CGU. The discount rate has been determined specifically for the new CGU based on the risks associated with it in a manner consistent with those considered in the estimates of future cash flows. In 2017 the long-term growth rate for the Electricity Spain CGU was 2.2%, while the pre-tax discount rate applied for said CGU was 6.3%.
- Renewable electricity generation:
  - Electricity generated. Projections of hours of operation of each park consistent with their historical output and predictions based on historical records of similar parks have been used when there were no historical data.
  - Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts.
  - Remuneration. For facilities with a right to specific remuneration, this has been estimated based on the remuneration parameters for the established regulated income period.
  - Operation and maintenance costs. Estimated from historical costs of managed park.
  - Taxes established by Law 15/2012.
  - In addition, a long-term growth rate of 1.9% and a pre-tax discount rate of 6.1% have been used for this CGU. The discount rate has been determined specifically for the new CGU based on the risks associated with it in a manner consistent with those considered in the estimates of future cash flows. In 2017 the long-term growth rate for the Electricity Spain CGU was 2.2%, while the pre-tax discount rate applied for said CGU was 6.3%.
- International Electricity Generation:
  - Operation and maintenance costs. Estimated on the basis of historical costs.
  - International electricity generation is managed under energy sale-purchase contracts through stable business models and which are not subject to fluctuation risks on the basis of market variables.
  - In addition, long-term growth rates of 2.1% - 4.0% (2.6% - 4.0 % in 2017) and pre-tax discount rates of 7.9% - 14.8% (6.5% - 12.8%) have been used for these CGUs.
- Electricity distribution Spain:
  - Remuneration. Amount and increase in remuneration approved by the regulator.
  - Operation and maintenance costs. Estimated on the basis of the historical cost of the network managed.
  - Investments. Taking into account the necessary investments to maintain the regular use of the network and quality of supply.
  - In addition, a long-term growth rate of 1.2% (1.2% in 2017) and a pre-tax discount rate of 6.0% (5.2% in 2017) have been used for this CGUs.

- Latin America North and South Infrastructures:

- Variations in rates. Valuation of rates in each country, based on existing regulatory conditions and rate reviews, taking into account the experience gained from previous rate reviews in each country.
- Cost of raw materials and consumables. Estimated on the basis of predictive modelling based on an understanding of energy markets in each country.
- Operation and maintenance costs. Estimated on the basis of the historical cost of the network managed.
- Investments. Taking into account the necessary investments to maintain the regular use of the network and quality of supply.
- In addition, long-term growth rates of 1.3% - 3.8% (1.6% - 3.0 % in 2017) and pre-tax discount rates of 9.9% - 17.6% (8.8% - 17.0%) have been used for these CGUs.

The Company has carried out a sensitivity analysis of the unfavourable variations which, drawing on historical experience, may reasonably impact on the aforementioned sensitive parameters on which the recoverable amounts of these remaining CGUs have been determined. Specifically, the most significant sensitivity analyses performed were as follows:

	Increase	Decrease
Discount rate	50 basis points	-
Growth rate	-	50 basis points
Electricity generated	-	5%
Electricity price	-	5%
Fuel supply costs	5%	-
Tariff/remuneration performance	-	5%
Operating and maintenance costs	5%	-
Investments	5%	-

These sensitivity analyses performed separately for each basic assumption would not affect the conclusions drawn to the effect that the recoverable amount exceeds the carrying amount for investments in group companies and associates.

## Note 5. Intangible assets

Set out below there is an analysis of movements in intangible assets:

	Computer software	Other intangible assets	Subtotal	Goodwill	Total
Cost	6	1	7	815	822
Accumulated amortisation	(2)	--	(2)	(625)	(627)
<b>Carrying value at 1.1.2017</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>190</b>	<b>195</b>
Amortisation charge	--	--	--	(81)	(81)
<b>Carrying value at 31.12.2017</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>109</b>	<b>114</b>
Cost	6	1	7	815	822
Accumulated amortisation	(2)	--	(2)	(706)	(708)
<b>Carrying value at 1.1.2018</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>109</b>	<b>114</b>
Investment	1	--	--	--	1
Amortisation charge	(1)	(1)	(2)	(82)	(84)
Other	1	--	1	--	1
<b>Carrying value at 31.12.2018</b>	<b>5</b>	<b>--</b>	<b>5</b>	<b>(82)</b>	<b>32</b>
Cost	6	--	6	815	821
Accumulated amortisation	(1)	--	(1)	(788)	(789)
<b>Carrying value at 31.12.2018</b>	<b>5</b>	<b>--</b>	<b>5</b>	<b>27</b>	<b>32</b>

Goodwill derives from the vertical merger of Unión Fenosa, S.A. completed in 2009 and is attributable to the benefits and synergies arising from the integration with the Naturgy Group.

At 31 December 2018 intangible assets do not include fully amortised assets still in use (Euros 2 million at 31 December 2017).

In 2018 there have been disposals of fully-amortised assets totalling Euros 2 million (Euros 4 million at 31 December 2017).

## Note 6. Property, plant and equipment

Set out below is an analysis showing movements in Property, plant and equipment during 2018 and 2017:

	Land and buildings	Other property, plant and equipment	Total
Cost	201	33	234
Accumulated depreciation	(61)	(20)	(81)
<b>Carrying value at 1.1.2017</b>	<b>140</b>	<b>13</b>	<b>153</b>
Investment	12	4	16
Divestment	(8)	--	(8)
Depreciation charge	(7)	(3)	(10)
Reclassifications and transfers	(3)	3	--
<b>Carrying value at 31.12.2017</b>	<b>134</b>	<b>17</b>	<b>151</b>
Cost	197	40	237
Accumulated depreciation	(63)	(23)	(86)
<b>Carrying value at 1.1.2018</b>	<b>134</b>	<b>17</b>	<b>151</b>
Investment	7	1	8
Divestment	(4)	--	(4)
Depreciation charge	(11)	(3)	(14)
Other	1	(1)	--
<b>Carrying value at 31.12.2018</b>	<b>127</b>	<b>14</b>	<b>141</b>
Cost	197	37	234
Accumulated depreciation	(70)	(23)	(93)
<b>Carrying value at 31.12.2018</b>	<b>127</b>	<b>14</b>	<b>141</b>

In May 2018 the Company sold the building located in la avenida Balears, Valencia, for Euros 5 million, generating a capital gain before income tax of Euros 1 million.

In November 2017 the Company sold the building located in calle L rida, Madrid, for Euros 12 million, generating a capital gain before income tax of Euros 3 million. In addition, an operating lease without a purchase option was concluded with the acquiring company for a period of ten years which may be extended for a further five-year period. At the date of the transaction, the remaining useful life of the property transferred was considerably greater than the maximum lease period.

In 2018 there have been disposals of fully-amortised assets totalling Euros 4 million (Euros 4 million at 31 December 2017).

Property, plant and equipment include fully-depreciated assets still in use totalling Euros 13 million at 31 December 2018 (Euros 15 million in 2017).

It is the Company's policy to take out insurance where deemed necessary to cover risks that could affect its property, plant and equipment.

At 31 December 2018 and 31 December 2017, the Company had no investment commitments.

## Note 7. Investments in group companies and associates

A breakdown of the investments in group companies and associates is as follows:

	At 31.12.18	At 31.12.17
Equity instruments	15,237	13,400
Loans	15,657	15,615
<b>Non-current</b>	<b>30,894</b>	<b>29,015</b>
Loans	740	1,480
Other financial assets	57	743
<b>Current</b>	<b>797</b>	<b>2,223</b>
<b>TOTAL</b>	<b>31,691</b>	<b>31,238</b>

Movements during the year in non-current investments in group companies and associates are as follows:

	Shareholdings in group companies	Loans to group companies	Shareholdings in associates	Total
<b>Balance at 1.1.2017</b>	<b>13,677</b>	<b>15,755</b>	<b>11</b>	<b>29,443</b>
Additions	26	2	--	28
Divestments	(180)	(12)	(1)	(193)
Reclassification	--	(124)	--	(124)
Charge/reversal provisions	(133)	--	--	(133)
Exchange differences	--	(6)	--	(6)
<b>Balance at 31.12.2017</b>	<b>13,390</b>	<b>15,615</b>	<b>10</b>	<b>29,015</b>
Additions	11,437	6,743	--	18,180
Divestments	(5,035)	(1,475)	--	(6,510)
Reclassification	--	(5,218)	--	(5,218)
Charge/reversal provisions	(4,565)	--	--	(4,565)
Exchange differences	--	(8)	--	(8)
<b>Balance at 31.12.2018</b>	<b>15,227</b>	<b>15,657</b>	<b>10</b>	<b>30,894</b>

## 2018

- On 3 August 2017 the Company entered into an agreement with a consortium formed by Allianz Capital Partners and Canada Pension Plan Investment Board to sell a 20% interest in the natural gas distribution business in Spain for an amount of Euros 1,500 million, after increasing the level of debt through long-term intra-group financing on Naturgy's part amounting to Euros 6,000 million. The completion of the operation was subject to the obtainment of the relevant regulatory and competition authorisations.

To carry out the operation, Holding de Negocios de Gas, S.A., a company wholly owned by the Company, has become the head of the natural gas distribution and transport activity and the liquefied petroleum natural gas distribution activity in Spain, carrying out the following operations:

- On 7 February 2018, Holding de Negocios de Gas, S.A. increased capital through the issue of 15,000 new shares with a par value of 1 euro each and a share premium of Euros 499,999 per share. These new shares have been fully subscribed and paid by the Company for a total amount of Euros 7,500 million.
- On 7 February 2018 the Company granted an intragroup loan of Euros 6,000 million to Holding de Negocios de Gas, S.A. This loan matures between 7 and 12 years and bears interest at a market rate.
- On 7 February 2018, using the funds received, Holding de Negocios de Gas, S.A. acquired 100% of the shares in Nedgia ,S.A. (formerly called Holding Negocios Regulados Gas Natural, S.A. and which is the holding company of the Spanish gas distribution companies) from the Company for Euros 11,518 million, an amount that has been determined as the fair value based on the same price per share set in said sale agreement with the Consortium and which has been confirmed by the fairness opinion of the investment banks J.P. Morgan and Morgan Stanley which have acted as financial advisors in this operation and which have concluded that the value is reasonable from a financial viewpoint. In accordance with the provisions of paragraph 1 of Recognition and Valuation Standard 21 of the Spanish Chart of Accounts, the transaction has been accounted for at fair value and has generated a profit of Euros 9,537 million. The Company has also cancelled the loans it had granted to the Spanish gas distribution companies amounting to Euros 1,981 million, while the company Holding de Negocios de Gas, S.A. has granted said financing for the same amount to the Spanish gas distribution companies.
- On 14 February 2018 Holding Negocios de Gas, S.A. acquired from Nedgia, S.A. 100% of the shares in Gas Natural Transporte SDG, S.L. and in Gas Natural Redes GLP, S.A. for Euros 165 million. This figure was determined as the fair value based on the price set in the above-mentioned sale agreement with the Consortium, following the payment by Nedgia, S.A. of dividends amounting to Euros 165 million by charge to the share premium.

On March 19, the Company, after obtaining the necessary regulatory and competition approvals, transferred 20% of the interest in Holding de Negocios de Gas, S.A. to said Consortium for an amount of Euros 1,500 million in cash, without any significant impact on the income statement as the shareholding was recorded at fair value.

- Capital reduction through the reimbursement of contributions in Clover Financial and Treasury Services, D.A.C. in the amount of USD 667 million (Euros 609 million). The reduction in the shareholding has generated a Euros 73 million profit due to the exchange rate effect.
- Subscription of a capital increase through a monetary contribution in Naturgy Participaciones, S.A.U. for Euros 100 million.
- Creation and subscription of a capital increase in Naturgy Infraestructuras EMEA, S.L. in the amount of Euros 88 million.
- The distributions of reserves by Global Power Generation, S.A. and Holding de Negocios de Gas, S.A. amounting to Euros 110 million and Euros 885 million, respectively, have been recorded as a decrease in the carrying value of the shareholdings.

- Sale of 98.48% of the holding in Compañía Española de Industrias Electroquímicas, S.A. for Euros 8 million, generating a capital gain before tax of Euros 3 million.
- Sale of the holding in La Propagadora del Gas, S.A. to the group company Naturgy Generación, S.L.U. for Euros 11 million, generating a capital gain before tax of Euros 1 million.
- Euros 14 million monetary contribution to offset losses to Comercializadora Regulada Gas & Power, S.A.
- Euros 136 million monetary contribution to offset losses to Naturgy Informática, S.A.
- Euros 67 million monetary contribution to offset losses to Naturgy Aprovisionamientos, S.A.
- Euros 32 million monetary contribution to offset losses to Petroleum Oil & Gas España, S.A.
- Subscription of a capital increase by Naturgy Generación, S.L.U. of Euros 3,500 million through the capitalisation of a loan.

## 2017

The most significant movements in the item “Shareholdings in Group companies and associates” in 2017 relate to:

- Capital contribution to offset losses in Comercializadora Regulada Gas and Power, S.A. in the amount of Euros 26 million.
- Capital reduction through the reimbursement of contributions in Clover Financial and Treasury Services, D.A.C. in the amount of USD 75 million (Euros 69 million). The reduction in the shareholding has generated a Euros 7 million profit due to the effect of the exchange rate.
- Decrease in the carrying amount of the holding due to the distribution of reserves by Global Power Generation, S.A. in the amount of Euros 17 million.

The cumulative provision for the impairment of shareholdings in Group companies and associates totals Euros 6,185 million at 31 December 2018 (Euros 1,620 million at 31 December 2017), relating basically to the following companies (Note 4):

	2018	2017	Change
Naturgy Generación, S.L.U.	3,401	--	3,401
Unión Fenosa Gas, S.A.	2,100	1,371	729
Unión Fenosa Minería, S.A.	242	35	207
Petroleum Oil & Gas España, S.A.	70	--	70
Gas Natural Exploración, S.L.	213	213	--
Naturgy Informática, S.A.	140	--	140
Other	19	1	18
<b>Total</b>	<b>6,185</b>	<b>1,620</b>	<b>4,565</b>

Financial income for dividends received from investments in equity instruments of group companies and associates during the years 2018 and 2017, correspond to the following companies:

	<b>2018</b>	<b>2017</b>
UFD Distribución Electricidad, S.A.	238	133
Holding Negocios Gas, S.A.	173	--
Clover Financial and Treasury Services, D.A.C.	32	40
Global Power Generation, S.A.	30	41
Naturgy Aprovisionamientos, S.A	24	155
Naturgy Distribución Latinoamérica S.A.	23	178
General de Edificios y Solares, S.L.	11	19
Naturgy Capital Markets, S.A.	6	8
Naturgy Finance, B.V.	3	--
Sagane, S.A.	2	335
Unión Fenosa Minería, S.A.	2	--
Gas Natural Almacenamientos Andalucía, S.A.	1	1
Compañía Española de Industrias Electroquímicas, S.A.	1	1
Naturgy Iberia, S.A.	--	179
Nedgia, S.A.	--	156
Gas Natural Comercializadora, S.A.	--	134
Naturgy Inversiones Internacionales, S.A.	--	88
Naturgy Engineering, S.L.	--	1
Other	1	1
<b>TOTAL</b>	<b>547</b>	<b>1,470</b>

The breakdown of shareholdings in group companies is set out below:

Figures at 31 December 2018

Company	Registered Office	Activity	% interest					Equity				
			Carrying value 2018	Carrying value 2017	Direct	Indirect	Total	Capital	Reserves (1)	Profit/(loss)	Interim dividend	Other (2)
Naturgy Aprovisionamientos, S.A.	Spain	Gas marketing	85	18	100.0	--	100.0	1	86	(71)	--	(3)
Naturgy LNG, S.L.	Spain	Gas marketing	2	2	100.0	--	100.0	2	--	--	--	--
Sagane, S.A.	Spain	Gas marketing	42	42	100.0	--	100.0	95	22	240	--	2
Unión Fenosa Gas, S.A.	Spain	Gas marketing	340	1,065	50.0	--	50.0	33	459	(20)	--	--
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity marketing	121	121	100.0	--	100.0	3	85	(2)	--	(28)
Comercializadora Regulada Gas & Power, S.A.	Spain	Gas and electricity marketing	84	70	100.0	--	100.0	2	19	(13)	--	--
La Energía, S.A.	Spain	Gas and electricity marketing	11	11	100.0	--	100.0	11	5	--	--	--
Naturgy Iberia, S.A.	Spain	Gas and electricity marketing	106	106	100.0	--	100.0	3	51	59	--	1
UFD Distribución Electricidad, S.A.	Spain	Electricity distribution	1,630	1,630	100.0	--	100.0	833	233	152	--	359
Holding de Negocios de Gas, S.A.	Spain	Gas distribution	5,115	--	80.0	--	80.0	--	6,177	728	--	--
Nedgia S.A.	Spain	Gas distribution	--	1,981	--	80.0	80.0	--	--	--	--	--
Naturgy Generación, S.L.U.	Spain	Electricity generation	3,996	3,897	100.0	--	100.0	1,052	3,824	(2,075)	--	4
Naturgy Renovables, S.L.U.	Spain	Electricity generation	397	397	100.0	--	100.0	90	131	39	--	--
Global Power Generation, S.A.	Spain	Electricity generation	1,401	1,514	75.0	--	75.0	20	1,667	40	--	13
P.H. La Perla, S.A.	Costa Rica	Electricity generation	--	--	100.0	--	100.0	--	--	--	--	--
Toledo PV A.I.E.	Spain	Electricity generation	--	--	33.3	--	33.3	--	1	1	--	--
Naturgy Almacенamientos Andalucía S.A.	Spain	Gas infrastructures	8	8	100.0	--	100.0	--	8	--	--	--
Gas Natural Exploración, S.L.	Spain	Gas infrastructures	9	9	100.0	--	100.0	8	11	--	--	(11)
Petroleum Oil & Gas España, S.A.	Spain	Gas infrastructures	4	41	32.3	67.7	100.0	4	117	(109)	--	--
Natural Re, S.A.	Luxembourg	Insurance	9	9	100.0	--	100.0	5	52	1	--	--
Compañía Española de Industrias Electroquímicas, S.A.	Spain	Services	--	4	--	--	--	--	--	--	--	--
General de Edificios y Solares, S.L.	Spain	Services	63	63	100.0	--	100.0	34	35	(5)	--	--
Clover Financial and Treasury Services, D.A.C.	Ireland	Financial services	--	542	100.0	--	100.0	--	(24)	24	--	--
Naturgy Capital Markets, S.A.	Spain	Financial services	--	--	100.0	--	100.0	--	--	4	--	--
Naturgy Finance, B.V.	Netherlands	Financial services	7	7	100.0	--	100.0	--	9	(40)	--	57
Naturgy Participaciones, S.A.	Spain	Financial services	96	11	100.0	--	100.0	--	100	(4)	--	--
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	--	--	100.0	--	100.0	--	1	1	--	110
Naturgy Informática, S.A.	Spain	IT services	16	20	100.0	--	100.0	20	143	(149)	--	--
Naturgy Engineering, S.L.	Spain	Engineering services	20	24	100.0	--	100.0	--	18	1	--	--
Naturgy Distribución Latinoamérica, S.A.	Spain	Holding company	558	558	100.0	--	100.0	402	237	166	--	--
La Propagadora del Gas, S.A.	Spain	Holding company	--	10	100.0	--	100.0	--	--	--	--	--
Naturgy Gas and Power, S.L.U.	Spain	Holding company	--	--	100.0	--	100.0	--	--	--	--	--
Naturgy Infraestructuras EMEA, S.L.	Spain	Holding company	88	--	100.0	--	100.0	--	88	2	--	--
Naturgy Inversiones Internacionales, S.A.	Spain	Holding company	944	944	100.0	--	100.0	250	336	118	--	(117)
Unión Fenosa Minería, S.A.	Spain	Holding company	75	286	100.0	--	100.0	11	169	(105)	--	--
<b>TOTAL</b>			<b>15,227</b>	<b>13,390</b>								

Appendix I to Naturgy's consolidated annual accounts provides a breakdown of other indirect shareholdings.

- (1) Includes the share premium, reserves, prior-year losses, contributions and retained earnings.  
(2) Includes measurement adjustments, other equity instruments and grants, donations and bequests.



The non-current loans to group companies which at 31 December 2018 total Euros 15,657 million mature in 2019 (at 31 December 2017, Euros 15,615 million maturing in 2018).

Set out below are movements during 2018 and 2017 in loans and other current financial assets:

	Loans to group companies	Other financial assets	Total
<b>Balance at 1.1.2017</b>	<b>816</b>	<b>67</b>	<b>883</b>
Additions	882	740	1,622
Divestments	(594)	(64)	(658)
Reclassifications	376	--	376
<b>Balance at 31.12.2017</b>	<b>1,480</b>	<b>743</b>	<b>2,223</b>
Additions	261	53	314
Divestments	(5,031)	(739)	(5,770)
Reclassifications and transfers	4,024	--	4,024
Exchange differences	6	--	6
<b>Balance at 31.12.2018</b>	<b>740</b>	<b>57</b>	<b>797</b>

There are no significant differences between carrying values and fair values in the balances under Loans to group companies and other receivables.

The heading "Loans to group companies" includes loans to Group companies amounting to Euros 313 million (Euros 962 million in 2017) and cash pooling balances with investee companies, as manager of the Group's centralised cash system amounting to Euros 371 million (Euros 481 million in 2017). It also includes accrued unmatured interest of Euros 56 million (Euros 37 million in 2017).

At 31 December 2018, loans to Group companies and associates have borne interest at a rate of 2.81% (2.66% in 2017) in the case of non-current amounts, and 1.00% (1.00% in 2017) in the case of current amounts.

Dividends pending collection at 31 December 2018 amounted to Euros 53 million, recorded under "Other current financial assets" (Euros 739 million at 31 December 2017).

## Note 8. Investments

The breakdown of investments by category is as follows:

At 31 December 2018	Available-for-sale financial assets	Loans and receivables	Assets at fair value through profit or loss	Hedging derivatives	Total
Equity instruments	5	--	--	--	5
Other financial assets	--	12	--	--	12
<b>Non-current investments</b>	<b>5</b>	<b>12</b>	<b>--</b>	<b>--</b>	<b>17</b>
Derivatives (Note 14)	--	--	6	2	8
Other financial assets	--	36	--	--	36
<b>Current investments</b>	<b>--</b>	<b>36</b>	<b>6</b>	<b>2</b>	<b>44</b>
<b>Total</b>	<b>5</b>	<b>48</b>	<b>6</b>	<b>2</b>	<b>61</b>

At 31 December 2017	Available-for-sale financial assets	Loans and receivables	Assets at fair value through profit or loss	Hedging derivatives	Total
Equity instruments	5	--	--	--	5
Derivatives (Note 14)	--	--	--	8	8
Other financial assets	--	27	--	--	27
<b>Non-current investments</b>	<b>5</b>	<b>27</b>	<b>--</b>	<b>8</b>	<b>40</b>
Derivatives (Note 14)	--	--	43	13	56
Other financial assets	--	29	--	--	29
<b>Current investments</b>	<b>--</b>	<b>29</b>	<b>43</b>	<b>13</b>	<b>85</b>
<b>Total</b>	<b>5</b>	<b>56</b>	<b>43</b>	<b>21</b>	<b>125</b>

### Available-for-sale financial assets

All available-for-sale financial assets relate to unlisted shareholdings at 31 December 2018 and 31 December 2017.

### Loans and receivables

The breakdown of Loans and other receivables is as follows:

	At 31.12.18	At 31.12.17
Loans to companies	--	2
Gas system income deficit financing	7	19
Deposits and guarantee deposits	5	6
<b>Non-current</b>	<b>12</b>	<b>27</b>
Gas system income deficit financing	2	--
Deposits and guarantee deposits	34	29
<b>Current</b>	<b>36</b>	<b>29</b>
<b>Total</b>	<b>48</b>	<b>56</b>

### Other financial assets

The heading "Gas system revenue deficit financing" includes temporary mismatches between gas system revenues and costs accumulated in 2017, funded by Naturgy pursuant to Law 18/2014 of 17 October. This amount was acquired by the Company in 2017 from the distribution companies of Naturgy and will be recovered through gas system settlements as the right to the recovery of this amount is generated in the following five years, recognising a market interest rate. The amount of this financing has been recognised based on the estimated recovery period. In December 2017 the irrevocable assignment without recourse of the 2014 deficit and the mismatches for 2015 and 2016 to various financial institutions took place, transferring all associated risks and rewards. All the balances at the date of the assignment were therefore derecognised.

Following successive settlements in 2017, the final settlement for 2017 was received on 28 November 2018. The deficit in the gas sector has evolved favourably and the amount of the acquisition made from the distribution companies corresponding to the mismatch in 2017 has been adjusted by Euros 9 million.

## Note 9. Trade and other receivables

The breakdown of this account is as follows:

	At 31.12.18	At 31.12.17
Trade receivables	130	145
Trade receivables, group companies and associates	366	345
Sundry receivables	23	38
Provision	(29)	(24)
Derivatives (Note 14)	106	117
Current income tax asset	65	29
<b>Total</b>	<b>661</b>	<b>650</b>

In general, amounts billed pending collection do not bear interest, being the average maturity period less than 21 days.

Movements in the bad debt provision are as follows:

	2018	2017
<b>At 1 January</b>	<b>(24)</b>	<b>(24)</b>
Net charge for the year (Note 21)	(5)	--
<b>At 31 December</b>	<b>(29)</b>	<b>(24)</b>

## Note 10. Cash and cash equivalents

Cash and cash equivalents include:

	At 31.12.18	At 31.12.17
Cash at banks and in hand	722	1,453
Other cash equivalents	--	100
<b>Total</b>	<b>722</b>	<b>1,553</b>

At 31 December 2017, investments in Cash equivalents matured in less than three months at a weighted effective interest rate of 0.073%.

## Note 11. Equity

The main items of Equity are as follows:

### Share capital and share premium

The variations during the years 2018 and 2017 in the number of shares and share capital and share premium accounts have been as follows:

	Number of shares	Share capital	Share premium	Total
<b>At 1 January 2017</b>	<b>1,000,689,341</b>	<b>1,001</b>	<b>3,808</b>	<b>4,809</b>
Changes:	--	--	--	--
<b>At 31 December 2017</b>	<b>1,000,689,341</b>	<b>1,001</b>	<b>3,808</b>	<b>4,809</b>
Changes:	--	--	--	--
<b>At 31 December 2018</b>	<b>1,000,689,341</b>	<b>1,001</b>	<b>3,808</b>	<b>4,809</b>

All issued shares are fully paid up and carry equal voting and dividend rights.

The Company's Board of Directors, which for these purposes may be substituted by the Executive Committee, for a maximum term of five years as from 20 April 2017, is empowered to increase share capital by Euros 500,344,670 through one or more cash payments at the time and in the amount that it deems fit, issuing ordinary, privileged or redeemable shares with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, with the possibility of agreeing, as appropriate, the full or partial exclusion of preferential subscription rights up to a limit of 20% of share capital at the date of this authorisation, and to alter the By-laws as required due to the capital increase or increases performed by virtue of said authorisation, with provision for an incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Capital Companies Act.

The Spanish Capital Companies Act specifically allows the use of the "Share premium" balance to increase capital and imposes no specific restrictions on its use.

The most relevant holdings in the Company's share capital at 31 December 2018 and 2017, in accordance with publicly information available or the communication issued by the Company itself, are as follows:

	% interest in share capital	
	2018	2017
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	25.6	24.4
- Repsol, S.A.	--	20.1
- Global Infrastructure Partners III (2)	20.0	20.0
- Rioja Bidco Shareholdings, S.L.U. (3)	20.1	--
- Sonatrach	3.9	4.0

(1) 20.4% direct holding through Criteria Caixa S.A.U. and 5.2% indirect (holding 5.0% through Energía Boreal 2018, S.A. and 0.2% through other).

(2) Global Infrastructure Partners III, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l.

(3) Company controlled by funds advised by CVC.

On 22 February 2018 Repsol, S.A. concluded an agreement with Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC, for the sale of 20.072% of the capital of Naturgy Energy Group, S.A. On 18 May 2018 the transaction was completed and Repsol, S.A. ceased to be the owner of said company.

All the Company's shares are traded on the four official Spanish Stock Exchanges and the "Mercado continuo" and form part of Spain's Ibex 35 stock index.

The Company's share price at 31 December 2018 was Euros 22.26 (Euros 19.25 at 31 December 2017).

## Reserves

Reserves includes the following:

	2018	2017
Legal reserve	200	200
Statutory reserve	100	100
Goodwill reserve	109	191
Voluntary reserves	7,305	7,200
Other reserves	295	280
<b>Total</b>	<b>8,009</b>	<b>7,971</b>

At the annual general meeting held on 27 June 2018, the shareholders agreed to the transfer to Voluntary Reserves of Euros 82 million from the Goodwill Reserve.

## **Legal reserve**

Appropriations to the legal reserve are made in compliance with the Spanish Capital Companies Act, which stipulates that 10% of the profits must be transferred to this reserve until it represents at least 20% of share capital. The legal reserve can be used to increase capital in the part that exceeds 10% of the capital increased.

Except for the use mentioned above, and as long as it does not exceed 20% of share capital, the legal reserve can only be used to offset losses in the event of no other reserves being available.

## **Statutory reserve**

Under the Company's Articles of Association, 2% of net profit for the year must be allocated to the statutory reserves until it reaches at least 10% of share capital.

## **Goodwill reserve**

Law 22/2015 on Auditing eliminated the requirement to record annually the restricted reserve for at least 5% of the goodwill figuring under assets on the balance sheet, stipulating that in periods commencing as from 1 January 2016, the goodwill reserve is to be reclassified to voluntary reserves and will be available in the amount that exceeds the goodwill recognised under assets on the balance sheet.

## **Voluntary and other reserves**

Relates basically to voluntary reserves for undistributed profits, also including the effects of the measurement of shareholdings in group companies as a result of transactions between group companies recognised in the same amounts stated in Naturgy's Consolidated annual accounts.

## **Share-based payments**

Within the framework of the new Strategic Plan 2018-2022 the Board of Directors, at meeting held on 31 July 2018, approved a long term variable incentive plan involving the Executive Chairman and 25 other executives. The main characteristics of the plan are as follows:

- The incentive covers the duration of the Strategic Plan 2018-2022, and the incentive plan is scheduled to expire in July 2023. It is directly related to the total yield obtained by the shareholders of Naturgy Energy Group S.A. in the period concerned.
- It is arranged through the acquisition of 8,639,595 shares in Naturgy Energy Group S.A. at a average price of Euros 23.15 (see Treasury Shares section) through a 100% company owned by the Company. It has been endowed with resources through a Naturgy Energy Group, S.A. contribution and external bank financing with which it has acquired the aforementioned shares.
- At the finalisation of the plan this vehicle will obtain income derived from the receipt of the dividends attributed to its shares and the payment of financial costs incurred in their acquisition. At that time it will sell the shares required to return all the resources received for the acquisition of the shares and after settling all its obligations it will distribute any surplus among its members in the form of shares.
- The surplus will be received only if a minimum profitability threshold has been surpassed, considering a price of Euros 19.15 and assuming that all the dividends foreseen in the Strategic Plan 2018-2022 are distributed.
- If they leave the Company, the beneficiaries will only be entitled, in certain cases, to receive a part of the final incentive calculated in proportion to their length of service in the Company with respect to the duration of the plan.

The fair value of the equity instruments granted has been determined at the grant date using a Monte Carlo simulation valuation model with the following assumptions:

Share price on the grant date (euro/share)	23.15
Forecast share price volatility (1)	17.73%
Plan duration (years)	5
Expected dividends	6.26%
Risk-free interest rate	0.34%

(1) Forecast volatility has been determined based on the historical volatility of the daily share price in the last year.

As a result of the time apportionment of the fair value estimate of the equity instruments granted over the term of the plan, an amount of Euros 4 million has been recorded in the income statement for 2018 under Personnel expenses, credited to "Other equity instruments" in the balance sheet at 31 December 2018.

### Treasury shares

Movements during 2018 and 2017 involving the Company's treasury shares are as follows:

	Number of shares	In million euro	% Capital
<b>At 31 December 2016</b>	<b>750,545</b>	<b>13</b>	<b>0.1</b>
Acquisitions	7,623,586	147	0.8
Share Acquisition Plan	(336,625)	(7)	(0.1)
Disposals	(8,037,506)	(153)	(0.8)
<b>At 31 December 2017</b>	<b>--</b>	<b>--</b>	<b>--</b>
Acquisitions	19,421,635	427	1.9
Share Acquisition Plan	(354,422)	(7)	--
Disposals	(13,669,476)	(299)	(1.4)
<b>At 31 December 2018</b>	<b>5,397,737</b>	<b>121</b>	<b>0.5</b>

On 14 May 2015, the shareholders in General Meeting authorised the Board of Directors to purchase, within five years, in one or more operations, a maximum of 10% of share capital or the maximum figure applicable under legislation prevailing at the time of acquisition. The relevant Company shares must be fully paid in and the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, may not exceed 10% of share capital or any other limit established by law.

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges, within an upper or lower fluctuation of 5%.

In accordance with the resolutions adopted by the Naturgy Energy Group, S.A. shareholders at the General Meeting held on 20 April 2017, the resolutions relating to FY 2017 and 2018 within the Share Acquisition Plan 2017-2018-2019, aimed at Naturgy employees in Spain who decide voluntarily to take part in the Plan, was set in motion. The Plan enables participants to receive part of their remuneration in the form of shares of Naturgy Energy Group, S.A. subject to an annual limit of Euros 12,000. During 2018, 354,422 of the Company's own shares were acquired for Euros 7 million to be handed over to the employees taking part in the Plan (336,625 own shares amounting to Euros 7 million during 2017).

In 2018 the profit on transactions involving Naturgy treasury shares amounted to a loss of Euros 0.4 million, recognised under "Other reserves" (Euros 0.5 million profit in 2017).

During 2018 the Company acquired 8,639,595 treasury shares at an average price of 23.15 euro/share for a total of Euros 200 million, the objective of which is to cover the potential delivery of shares derived from the increase in the value of the shares involved in the long-term variable incentive plan.

Within the Strategic Plan 2018-2022, The Board of Directors of Naturgy Energy Group, S.A. approved a treasury shares buy-back programme, which was published on 6 December 2018, with a maximum

investment of Euros 400 million to 30 June 2019, representing approximately 1.8% of share capital, which may be redeemed if such is decided by the shareholders at the annual general meeting to be held in the first half of 2019. At 31 December 2018, a total of 5,397,737 treasury shares had been acquired under this programme at an average price of Euros 22.42 per share, representing a total cost of Euros 121 million.

At a meeting held on 29 January 2019, the Board of Directors of Naturgy Energy Group, S.A. agreed to propose to the general shareholders' meeting a capital reduction in Naturgy Energy Group, S.A. in the amount resulting from the sum of:

- a) Euros 3 million through the redemption of 2,998,622 treasury shares with a par value of 1 euro each which had been acquired at the close of trading on 6 December 2018.
- b) the aggregate par valued, up to a maximum of Euros 16 million, of the 16,000,000 additional shares with a par value of one euro each which, where applicable, are acquired for redemption by the Company under the treasury share buyback programme approved by the Company under Regulation (EU) No. 596/2014 on market abuse and disclosed as price-sensitive information on 6 December 2018.

### Earnings per share

Basic earnings per share are calculated by dividing profit by the weighted average number of ordinary shares in issue during the year.

	At 31.12.18	At 31.12.17
Profit for the year	5,282	1,023
Weighted average number of ordinary shares in issue	997,663,816	1,000,478,210
Earnings per share (in Euros):		
- Basic	5.29	1.02
- Diluted	5.29	1.02

The average weighted number of ordinary shares used in the calculation of earnings per share in 2018 and 2017 is as follows:

	2018	2017
Weighted average number of ordinary shares	1,000,689,341	1,000,689,341
Weighted average number of treasury shares	(3,025,525)	(211,131)
Weighted average number of shares in issue	997,663,816	1,000,478,210

The basic earnings per share coincide with the diluted ones, since there were no instruments that could be converted into ordinary shares during those years and at the end of the year 2018 the conditions to consider the actions corresponding to the incentive described in the section "Share-based payments" in the calculation of diluted earnings were not met.

### Dividends

Set out below is a breakdown of the payments of dividends made in 2018 and 2017:

	2018			2017		
	% of Nominal	Euros per share	Amount	% of Nominal	Euros per share	Amount
Ordinary shares	100%	1.40	1,400	100%	1.00	1,001
Other shares (without voting rights, redeemable, etc.)	-	-	-	-	-	-
<b>Total dividends paid</b>	<b>100%</b>	<b>1.40</b>	<b>1,400</b>	<b>100%</b>	<b>1.00</b>	<b>1,001</b>
a) Dividends charged to income statement	100%	1.40	1,400	100%	1.00	1,001
b) Dividends charged to reserves or share premium account	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

## **2018**

The Annual General Meeting held on 27 June 2018 approved the payment of a supplementary dividend of Euros 0.670 per share for a total amount of Euros 670 million, which was paid in full in cash on 05 July 2018.

On 24 July 2018, the Company's Board of Directors resolved to pay an interim dividend of Euros 0.28 per share out of 2018 results, for a total of Euros 280 million, which was paid on 31 July 2018.

The Company had sufficient liquidity to pay out the dividend at the approval date, with the necessary liquidity to proceed to payment pursuant to the Spanish Companies Act. The provisional liquidity statement drawn up by the Directors on 30 June 2018 is as follows:

Profit after tax	5,597
Reserves to be replenished	--
Maximum amount distributable	5,597
Forecast interim dividend payment	280
Cash resources	2,564
Undrawn credit facilities	6,555
Total liquidity	9,119

On 31 October 2018, the Company's Board of Directors resolved to pay an interim dividend of Euros 0.45 per share out of 2018 results for a total of Euros 450 million, which was paid on 27 November 2018 with respect to the outstanding shares at that date.

The Company had sufficient liquidity to pay out the dividend at the approval date, with the necessary liquidity to proceed to payment pursuant to the Spanish Companies Act. The provisional liquidity statement drawn up by the Directors on 30 September 2018 is as follows:

Profit after tax	5,542
Reserves to be replenished	--
Maximum amount distributable	5,542
Interim dividend 2018 profits	280
Forecast interim dividend payment	450
Cash resources	757
Undrawn credit facilities	6,551
Total liquidity	7,308

On 29 January 2019, the Board of Directors approved the following proposal for the distribution of the Company's net profit for 2018, for submission to the Annual General Meeting:

### ***AVAILABLE FOR DISTRIBUTION***

Available for distribution ..... 5,282

### ***DISTRIBUTION:***

TO DIVIDENDS: the gross aggregate amount shall be equal to the sum of the following quantities:

- (i) Euros 730 million relating to the two interim dividends for 2018 paid by Naturgy Energy Group, S.A., equivalent jointly to Euros 0.73 per share by the number of shares that were not direct treasury shares on the relevant dates; and
- (ii) the amount obtained by multiplying 0.57 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the complementary dividend are determined.



The supplementary dividend will be paid through entities participating in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), and the Board of Directors is expressly empowered to delegate its powers to the director(s) it deems so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may (i) set the date on which the shareholders entitled to receive the dividend are determined and the date of payment; (ii) determine the definitive amount of the supplementary dividend, and (iii) designate the entity that is to act as payment agent.

TO VOLUNTARY RESERVES Determinable amount obtained by subtracting the dividend amount from the distribution base.

Total distributed ..... 5,282

This proposal for the distribution of profits prepared by the Board for approval by the Annual General Meeting includes as supplementary payment of Euros 0.57 per share for each qualifying share outstanding at the proposed date of payment, 20 March 2019. In this respect, in the event that at the time of distribution of the third and last payment of the proposed 2018 dividend (Euros 0.57 per share) the same number of treasury shares is maintained as at the 2018 year end (5,397,737 shares excluding shares covering the LTI, see section on Treasury shares), the amount applied to voluntary reserves would be Euros 3,985 million.

## **2017**

The General Shareholders Meeting held on 20 April 2017 approved payment of a complementary dividend of Euros 0.670 per share for a total of Euros 671 million, paid on 27 June 2017.

The Company's Board of Directors approved on 25 July 2017 payment of a interim dividend for 2017 of Euros 0.330 per share, for a total of Euros 330 million, which was paid on 27 September 2017.

## **Note 12. Provisions**

The breakdown of provisions at 31 December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Provisions for employee obligations	256	272
Other provisions	222	193
<b>Non-current provisions</b>	<b>478</b>	<b>465</b>

### **Provisions for employee obligations**

A breakdown of the provisions related to employee obligations is as follows:

	2018			2017		
	Pensions and other similar obligations	Other obligations with personnel	Total	Pensions and other similar obligations	Other obligations with personnel	Total
<b>At 1 January</b>	<b>262</b>	<b>10</b>	<b>272</b>	<b>275</b>	<b>10</b>	<b>285</b>
Appropriations/reversals charged to income statement	7	(1)	6	6	6	12
Payments during the year	(16)	--	(16)	(18)	--	(18)
Changes recognised directly in equity	(21)	--	(21)	(8)	--	(8)
Transfers and other applications	18	(3)	15	7	(6)	1
<b>At 31 December</b>	<b>250</b>	<b>6</b>	<b>256</b>	<b>262</b>	<b>10</b>	<b>272</b>

## Pensions and other similar liabilities

Most of the Company's post-employment obligations consist of the contribution of defined amounts to occupational pension plan systems. Nevertheless, at 31 December 2018 and 31 December 2017, the Company held the following defined benefit obligations for certain groups of workers:

- Pensions to retired workers, the disabled, widows and orphans and other related groups.
- Defined benefit supplement obligations with retired personnel of the legacy Unión Fenosa group who retired before November 2002 and a residual part of current personnel.
- Coverage of retirement and death for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.
- Obligations with employees that took early retirement until they reach official retirement age and early retirement plans.
- Salary supplements and contributions to social security for a group of employees taking early retirement until they can access ordinary retirement.
- Health care and other benefits.

The amounts recognised in the Balance sheet for pensions and similar obligations, as well as the movement in the current value of the obligations and the fair value of the plan assets are determined as follows:

<b>Present value of obligations</b>	<b>2018</b>	<b>2017</b>
At 1 January	995	1,080
Service cost for the year	2	2
Interest cost	16	13
Changes recognised directly in equity	(42)	(36)
Benefits paid	(66)	(71)
Transfers and other	22	7
<b>At 31 December</b>	<b>927</b>	<b>995</b>
<b>Fair value of plan assets</b>		
At 1 January	733	805
Expected yield	11	9
Contributions	4	7
Changes recognised directly in equity	(21)	(28)
Benefits paid	(54)	(60)
Transfers and other	4	--
<b>At 31 December</b>	<b>677</b>	<b>733</b>
<b>Provisions for pensions and similar obligations</b>	<b>250</b>	<b>262</b>

The amounts recognised in the income statement for all the above-mentioned defined benefit plans are as follows:

	<b>2018</b>	<b>2017</b>
Service cost for the year	2	2
Interest cost	5	13
Expected return on plan assets	--	(9)
<b>Total charge to the income statement</b>	<b>7</b>	<b>6</b>

Benefits to be paid in the coming years for the above-mentioned commitments are as follows:

	<b>2018</b>	<b>2017</b>
1 to 5 years	1	1
5 to 10 years	16	22
More than 10 years	233	239
<b>Provisions for pensions and similar obligations</b>	<b>250</b>	<b>262</b>

The plan assets expressed as a percentage of total assets are as follows:

<b>% of total</b>	<b>2018</b>	<b>2017</b>
Bonds	100%	100%

Cumulative actuarial gains and losses, net of the tax effect, recognised directly in equity are positive in the amount of Euros 18 million in 2018 (positive in the amount of Euros 3 million in 2017).

The change recognised in equity relates to actuarial losses and gains derived basically from adjustments to:

	<b>2018</b>	<b>2017</b>
Financial assumptions	3	(13)
Experience	(24)	5
<b>At 31 December</b>	<b>(21)</b>	<b>(8)</b>

Actuarial assumptions applied are as follows:

	<b>At 31.12.18</b>	<b>At 31.12.17</b>
Discount rate (p.a.)	0.3 to 2.39%	0.0 to 2.25%
Expected return on plan assets (p.a.)	0.3 to 2.39%	0.0 to 2.25%
Future salary increases (p.a.)	2.0%	2.0%
Future pension increases (p.a.)	2.0%	2.0%
Inflation rate (annual)	2.0%	2.0%
Mortality table	PERMF 2000	PERMF 2000
Life expectancy:		
Men		
Retired during the year	22.9	22.9
Retiring within 20 years	42.9	42.7
Women		
Retired during the year	27.4	27.4
Retiring within 20 years	48.8	48.6

These assumptions are equally applicable to all the obligations, irrespective of the origin of their collective bargaining agreements.

The interest rates used to discount post-employment commitments are applied based on the period of each commitment and the reference curve is calculated applying observable rates for high-credit-quality corporate bonds (AA) issued in the Eurozone.

The costs of health care have been measured on the basis of the expected costs of the premiums of the different medical care policies taken out. A 1% variation in the increase in the cost of these premiums would not have a significant impact on the liability booked at 31 December 2018 and 31 December 2017, nor would it cause a relevant variation in the normal, financial costs for future years in relation to that booked in 2018 and 2017.

### **Other obligations with personnel**

Within the framework of the new Strategic Plan 2018-2022, a new long-term incentives plan has been implemented for the executives of Naturgy not included in the plan mentioned in the Note 11, the aim of which is to align the shareholders' interests, the materialization of the Strategic Plan and the executives' multi-year variable remuneration. This programme replaces the previous scheme, called PREMP, and is linked to the total return earned by the shareholders over the duration of the Strategic Plan, generating a collection right once the annual accounts for 2022 have been approved by the General Meeting, which

will be collected in cash. At 31 December 2018 the provision for this commitment amounted to Euros 3 million.

At 31 December 2018 a provision has been recorded corresponding to the remuneration programmes 2016-2018 and 2017-2019 in the amount of Euros 6 million (Euros 19 million at 31 December 2017 in relation to the remuneration programmes 2015-2017, 2016-2018 and 2017-2019), of which Euros 3 million is classified as non-current in 2018 (Euros 10 million 2017).

### **Other non-current provisions**

The movement in other non-current provisions is as follows:

	<b>2018</b>	<b>2017</b>
<b>At 1 January</b>	<b>193</b>	<b>182</b>
– Appropriations (1)	16	2
– Reversals	--	--
Payments	--	(4)
Transfers and other	13	13
<b>At 31 December</b>	<b>222</b>	<b>193</b>

(1) Includes Euros 3 million and Euros 2 million in 2018 and 2017, respectively, relating to the financial update of provisions.

“Non-current provisions” mainly includes provisions posted to cover obligations deriving mainly from tax claims (Note 17), litigation and arbitration, and other liabilities.

No provision for onerous contracts was deemed necessary at 31 December 2018 or 2017.

At 31 December 2018, the estimated payment dates for these obligations are Euros 21 million between one and five years, Euros 45 million between five and ten years and Euros 156 million more than ten years (2017: Euros 3 million at between one and five years, Euros 49 million at between five and ten years and Euros 141 million at more than 10 years).

### **Note 13. Borrowings**

The breakdown of borrowings at 31 December 2018 and 2017 is as follows:

	<b>At 31.12.18</b>	<b>At 31.12.17</b>
Borrowings from financial institutions	1,985	3,851
Derivatives (Note 14)	54	47
Other financial liabilities	1	14
<b>Non-current borrowings</b>	<b>2,040</b>	<b>3,912</b>
Borrowings from financial institutions	233	270
Derivatives (Note 14)	9	44
Other financial liabilities	4	14
<b>Current borrowings</b>	<b>246</b>	<b>328</b>
<b>Total</b>	<b>2,286</b>	<b>4,240</b>

The carrying amounts and fair value of the non-current borrowings are as follows:

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>At 31.12.18</b>	<b>At 31.12.17</b>	<b>At 31.12.18</b>	<b>At 31.12.17</b>
Bank borrowings, derivatives and other financial liabilities	2,040	3,912	2,040	3,912

The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at 31 December 2018 and 31 December 2017 on borrowings with similar credit and maturity characteristics.

The movement in borrowings is as follows:

	2018	2017
<b>At 1 January</b>	<b>4,240</b>	<b>3,597</b>
Increase	135	913
Decrease	(2,089)	(270)
<b>At 31 December</b>	<b>2,286</b>	<b>4,240</b>

The following tables describe borrowings and maturities at 31 December 2018 and 2017, taking into account the impact of derivative hedges.

	2019	2020	2021	2022	2023	2024 and beyond	Total
<b>At 31 December 2018:</b>							
Fixed	95	115	158	125	91	1,143	1,727
Floating	151	184	90	69	36	29	559
<b>Total</b>	<b>246</b>	<b>299</b>	<b>248</b>	<b>194</b>	<b>127</b>	<b>1,172</b>	<b>2,286</b>

	2018	2019	2020	2021	2022	2023 and beyond	Total
<b>At 31 December 2017:</b>							
Fixed	200	261	287	170	137	1,263	2,318
Floating	128	250	722	278	527	17	1,922
<b>Total</b>	<b>328</b>	<b>511</b>	<b>1,009</b>	<b>448</b>	<b>664</b>	<b>1,280</b>	<b>4,240</b>

Setting aside the impact of derivatives on borrowings, fixed-rate debt would amount to Euros 95 million of total borrowings at 31 December 2018 (Euros 337 million at 31 December 2017); variable-rate debt would amount to Euros 2,128 million at 31 December 2018 (Euros 3,812 million at 31 December 2017).

The following tables describe the gross borrowings denominated in foreign currencies at 31 December 2018 and at 31 December 2017 and their maturities, taking into account the impact of the derivative hedges:

	2019	2020	2021	2022	2023	2024 and beyond	Total
<b>At 31 December 2018:</b>							
Euro debt	246	299	248	194	127	1,172	2,286
<b>Total</b>	<b>246</b>	<b>299</b>	<b>248</b>	<b>194</b>	<b>127</b>	<b>1,172</b>	<b>2,286</b>

	2018	2019	2020	2021	2022	2023 and beyond	Total
<b>At 31 December 2017:</b>							
Euro debt	315	400	746	448	664	1,280	3,853
USD debt	13	111	263	--	--	--	387
<b>Total</b>	<b>328</b>	<b>511</b>	<b>1,009</b>	<b>448</b>	<b>664</b>	<b>1,280</b>	<b>4,240</b>

Borrowings bore an average effective interest rate in 2018 of 0.87% (1.31% in 2017) including the derivatives assigned to each transaction.

At 31 December 2018, this includes in bank borrowings Euros 7 million in interest pending payment (Euros 9 million at 31 December 2017).

Most of the drawn-down borrowings include a clause relating to a change in control, the activation of which depends on the simultaneity of some of the following events: the non-permanence of any of the current reference shareholders in a significant percentage; the loss of investment grade status from the Rating Agencies, or the incapacity to meet the financial obligations under the contract.

At the preparation date of these annual accounts, the Company is not in breach of its financial obligations or of any type of obligation that could give rise to the early maturity of its financial commitments.

We set out below the most relevant financial instruments:

### **Other bank borrowings**

At 31 December 2018 there are no bilateral bank loans (Euros 1,645 million at 31 December 2017) and there are no drawn-down credit facilities.

### **Institutional financing**

The Company records balances payable to the Official Credit Institute (ICO) relating to instruments for a total amount of Euros 200 million (Euros 235 million in 2017).

Additionally, financing granted by the European Investment Bank to the Company has been drawn down in the amount of Euros 2,011 million (2017: Euros 2,240 million). These loans could be subject to early repayment in the event of a change of control. This amount is linked to infrastructural financing that requires, in addition to the event of the change of control, a reduction in the rating and have special repayment terms for the debt that are longer than those for early termination cases, amounting to Euros 1,555 million (Euros 1,656 million at 31 December 2017).

## **Note 14. Risk management and derivative financial instruments**

### **Risk management**

Naturgy has a series of standards, procedures and systems for identifying, measuring and managing different types of risk which are made up of the following basic action principles:

- Guaranteeing that the most relevant risks are correctly identified, evaluated and managed.
- Segregation at the operating level of the risk management functions.
- Assuring that the level of its risk exposure for Naturgy in its business is in line with the objective risk profile.
- Ensuring the appropriate determination and review of the risk profile by the Risk Committee, proposing global limits by risk category, and assigning them to the Business Units.

On 23 June 2016 UK voters supported the departure of their country from the European Union ("Brexit"). The referendum has caused significant uncertainty about the future of relations between the United Kingdom and the European Union, including the laws and regulations that will apply since the United Kingdom will determine which European laws it will replicated or replace in the event of its departure. The development of the negotiations has had and may continue to have adverse effects on global economic conditions and the stability of global financial markets.

### **Interest rate risk**

The fluctuations in interest rates modify the fair value of the assets and liabilities that accrue a fixed interest rate and the cash flows from assets and liabilities pegged to a floating interest rate, and, accordingly, affect equity and profit, respectively.

The purpose of interest rate risk management is to balance floating and fixed borrowings in order to reduce borrowing costs within the established risk parameters.

The Company employs financial swaps to manage exposure to interest rate fluctuations, swapping floating rates for fixed rates.

The financial debt structure at 31 December 2018 and 2017 (Note 13), after taking into account the hedges arranged through derivatives, is as follows:

	At 31.12.18	At 31.12.17
Fixed interest rate	1,727	2,318
Floating interest rate	559	1,922
<b>Total</b>	<b>2,286</b>	<b>4,240</b>

The floating interest rate is mainly subject to the fluctuations of the Euribor and the Libor. The sensitivity of results and equity (Adjustments for changes in value) to interest rate fluctuations is as follows:

	Increase/decrease in interest rates (basis points)	Effect on profit before tax	Effect on equity before tax
<b>2018</b>	+50	(3)	51
	-50	3	(51)
<b>2017</b>	+50	(10)	131
	-50	10	(131)

### Exchange rate risk

The variations in the exchange rates can affect the fair value of:

- Counter value of cash flows related to the purchase-sale of raw materials denominated in currencies other than local or functional currencies.
- Debt denominated in currencies other than local or functional currencies.
- Operations and investments in non-Euro currencies, and, accordingly, the counter value of equity contributed and results.

In order to mitigate these risks the Company finances, to the extent possible, its investments in local currency. Furthermore, it tries to match, whenever possible, costs and revenues indexed in the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in non-Euro currencies.

For open positions, the risks in investments in non-functional currencies are managed through financial swaps and foreign exchange fluctuation insurance when its marginal contribution to the risk is relevant and can exceed the risk limits established.

The non-Euro currency with which the Company operates most is the US Dollar. The sensitivity of the Company's profits and consolidated equity ("Adjustments for changes in value") to a 5% variation (increase or decrease) in the US dollar/euro exchange rate is as follows:

		2018	2017
Effect on profit before tax	+5%	--	--
	- 5%	--	--
Effect on equity before tax	+5%	--	--
	- 5%	--	--

### Commodity price risk

The Company purchases gas to be supplied to other Group companies.

A large portion of Naturgy's operating expenses are linked to gas purchased to supply customers or generate electricity at combined cycle plants. Therefore, Naturgy is exposed to the variation in commodity prices whose determination is basically subject to crude oil prices and those of its by-products and the prices of natural gas hubs.

The exposure to these risks is managed and mitigated for natural hedge through the monitoring of its position regarding these commodities, seeking to balance purchase and supply obligations, and the diversification and management of supply contracts. When it is not possible to achieve a natural hedge the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price risk, generally through hedging instruments.

In electricity and CO<sub>2</sub> emission allowances trading by the Company, risk is insignificant due to the low volume of transactions and the established limits placed, both on the amount and maturity date.

The sensitivity of results and equity (value change adjustments) to changes in the fair value of derivatives contracted to hedge commodity prices and derivatives used for trading purposes is analysed below:

	Increase / decrease in the electricity sale price	Effect on profit before tax	Effect on equity before tax
<b>2018</b>	+10%	--	--
	-10%	--	--
<b>2017</b>	+10%	--	--
	-10%	--	--

Naturgy has no relevant investments in upstream businesses or commodities production, therefore a low price scenario in commodities would have no significant impact on asset values.

Business segment sensitivity to the prices of oil, gas, coal and electricity is explained below:

- Gas and electricity distribution. It is a regulated activity with revenue and profit margins are linked to distribution infrastructure management services rendered, irrespective of the prices of the commodities distributed. In any event, a fall in the price of gas could increase consumption, having a favourable impact on revenue and thus contributing to the stability of Naturgy's results.
- Gas and electricity. Profit margins on gas and electricity supply activities are directly affected by commodity prices. In this regard, Naturgy has a risk policy that stipulates the tolerance range, based on applicable risk limits, among other aspects. Measures employed to keep risk within the stipulated limits include active supply management, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-profit relationship.

### **Credit risk**

Credit risk is defined as the potential loss resulting from the possible nonfulfillment of the contractual obligations of counterparties with which the Group does business.

Naturgy performs solvency analyses on the basis of which credit limits are assigned and any necessary provisions are determined. Based on these models, the probability of customer default can be measured and the expected commercial loss can be kept under control. In addition, credit quality and portfolio exposure are monitored on a recurring basis to ensure that potential losses are within the limits provided for by internal regulations. This allows a certain capacity to anticipate events in credit risk management.

Credit risk relating to trade receivables is reflected in the balance sheet net of provisions for bad debts (Note 9), estimated by the Company on the basis of the ageing of the debt and past experience in accordance with the prior segregation of customer portfolios and the current economic environment.

Credit risk relating to trade accounts receivable is historically limited given the short collection periods of customers that do not individually accumulate significant amounts before supply can be suspended due to non-payment, in accordance with applicable regulations.

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such operations with reputable financial institutions whose rating is equal or over "BB". No significant defaults or losses arose in 2018 or 2017.



The ageing analysis of financial assets concluded that there were no unimpaired, past due financial assets at 31 December 2018 and 2017.

The impaired financial assets are broken down in Note 9.

Concerning supplier credit risk, the solvency of each supplier of products and services is guaranteed through the recurring analysis of their financial information, particularly prior to new engagements. To this end, the relevant assessment criteria are applied depending on the supplier's criticality in terms of service or concentration. This procedure is supported by control mechanisms and systems and supplier management.

At 31 December 2018 and 2017 the Company did not have significant concentrations of credit risk.

**Liquidity risk**

The Company has liquidity policies that ensure compliance with its payment commitments, diversifying the coverage of financing needs and debt maturities. A prudent management of the liquidity risk includes maintaining sufficient cash and realisable assets and the availability of sufficient funds to cover credit obligations.

At 31 December 2018, available cash totalled Euros 5,756 million (Euros 8,400 million in 2017), including cash and cash equivalents of Euros 722 million (Euros 1,553 million in 2017), undrawn bank financing and credit lines to the amount of Euros 5,034 million (Euros 6,847 million in 2017).

**Capital management**

The main purpose of the Company's capital management is to ensure a financial structure that can optimise capital cost and maintain a solid financial position, in order to combine value creation for the shareholder with the access to the financial markets at a competitive cost to cover financing needs.

Naturgy considers the following to be indicators of the objectives set for capital management maintaining a long-term leverage ratio of approximately 50%.

The Company's long-term credit rating is as follows:

	2018	2017
Moody's	Baa2	Baa2
Standard & Poor's	BBB	BBB
Fitch	BBB	BBB+

## Derivative financial instruments

The breakdown of derivative financial instruments by category and maturity is as follows:

	At 31.12.18		At 31.12.17	
	Assets	Liabilities	Assets	Liabilities
<b>Hedging derivative financial instruments</b>	--	54	8	47
Fair value hedge				
- Interest rate and foreign exchange rate	--	--	--	6
Cash flow hedge				
- Interest rate	--	26	8	41
- Interest rate and foreign exchange rate	--	28	--	--
<b>Other financial instruments</b>	81	81	--	--
- Interest rate and foreign exchange rate	81	81	--	--
<b>Derivative financial instruments – non current</b>	81	135	8	47
<b>Hedging derivative financial instruments</b>	2	10	13	--
Fair value hedge				
- Exchange rate	--	--	3	--
Cash flow hedge				
- Interest rate	2	10	1	--
- Exchange rate	--	--	9	--
<b>Other financial instruments</b>	112	117	161	166
- Price of commodities	106	117	117	122
- Interest rate and foreign exchange rate	--	--	43	43
- Exchange rate	6	--	1	1
<b>Derivative financial instruments current</b>	114	127	174	166
<b>Total</b>	195	262	182	213

“Other financial instruments” include the derivatives not qualifying for hedge accounting.

The impact on the Income statement of derivative financial instruments is as follows:

	2018		2017	
	Operating profit	Net financial income/(expense)	Operating profit	Net financial income/(expense)
Cash flow hedge	--	(6)	--	(4)
Other financial instruments	(1)	(2)	(1)	(2)
<b>Total</b>	<b>(1)</b>	<b>(8)</b>	<b>(1)</b>	<b>(6)</b>

The breakdown of derivatives at 31 December 2018 and 2017, their fair value and maturities of their notional values is as follows:

	31.12.18							
	Fair value	Notional value						
		2019	2020	2021	2022	2023	Subsequent years	Total
<b>INTEREST RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (EUR)	(34)	95	844	63	91	91	1,392	2,576
Financial swaps (NOK)	(28)	--	--	--	--	101	--	101
<b>OTHER:</b>								
Foreign exchange insurance (USD)	6	439	--	--	--	--	--	439
Commodities price derivatives (EUR)	(11)	7	--	--	--	--	--	7
Commodities price derivatives (USD)	--	1	--	--	--	--	--	1
	<b>(67)</b>	<b>542</b>	<b>844</b>	<b>63</b>	<b>91</b>	<b>192</b>	<b>1,392</b>	<b>3,124</b>

31.12.2017								
	Fair value			Notional value				Total
	2018	2019	2020	2021	2022	Subsequent years		
<b>INTEREST RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (EUR)	(8)	95	95	844	63	91	2,484	3,672
Financial swaps (USD)	1	228	--	--	--	--	--	228
Financial swaps (NOK)	(25)	--	--	--	--	--	101	101
<b>EXCHANGE RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (USD)	9	489	--	--	--	--	--	489
Fair value hedges:								
Financial swaps (USD)	(6)	--	--	--	160	--	--	160
Foreign exchange insurance (USD)	3	193	--	--	--	--	--	193
<b>OTHER:</b>								
Commodities price derivatives (EUR)	(3)	4	--	--	--	--	--	4
Commodities price derivatives (USD)	(2)	--	--	--	--	--	--	--
	<b>(31)</b>	<b>1,009</b>	<b>95</b>	<b>844</b>	<b>223</b>	<b>91</b>	<b>2,585</b>	<b>4,847</b>

#### Note 15. Payables to Group companies and associates

The breakdown by maturity of borrowings from group companies is as follows:

Maturity	At 31.12.18	At 31.12.17
2018	--	3,307
2019	2,283	1,311
2020	932	1,116
2021	1,181	1,417
2022	1,486	1,743
2023	736	872
2024	1,897	1,879
Subsequent years	4,041	3,170
<b>Total</b>	<b>12,556</b>	<b>14,815</b>

Payables to Group companies correspond, mainly, to the issues made by Naturgy Capital Markets, S.A. and Naturgy Finance, B.V of the medium-term Euro Medium Term Notes program (EMTN). It also includes payables with Naturgy Finance, B.V. for subordinated perpetual debentures amounting to Euros 1,500 million (Euros 1,500 million in 2017) and the payables with Unión Fenosa Preferentes, S.A. for the debt of the preference shares for an amount of Euros 110 million (Euros 110 million in 2017).

It also includes accrued unmatured interest of Euros 217 million (Euros 288 million in 2017) and cash-pooling balances with Group companies amounting to Euros 962 million are also included (Euros 1,642 million in 2017).

A breakdown of amounts owed to Group companies due to bond issues of Naturgy Finance, B.V. and Naturgy Capital Markets, S.A. is as follows:

<b>At 31 December 2018</b>										
<b>Programme/Company</b>				<b>Country</b>	<b>Year formalised</b>	<b>Currency</b>	<b>Program me limit</b>	<b>Drawn-down nominal amount</b>	<b>Available</b>	<b>Issuance s per year</b>
<b>Euro Commercial Paper (ECP) programme</b>										
Naturgy Finance B.V.				Netherlands	2010	Euro	1,000	-	1,000	6,478
<b>European Medium Term Notes (EMTN) programme</b>										
Gas Natural Capital Markets, S.A. and Naturgy Finance B.V.				Netherlands/Spain	1999	Euro	15,000	9,707	5,293	850
<b>At 31 December 2017</b>										
<b>Programme/Company</b>				<b>Country</b>	<b>Year formalised</b>	<b>Currency</b>	<b>Program me limit</b>	<b>Drawn-down nominal amount</b>	<b>Available</b>	<b>Issuance s per year</b>
<b>Euro Commercial Paper (ECP) programme</b>										
Naturgy Finance B.V.				Netherlands	2010	Euro	1,000	-	1,000	4,594
<b>European Medium Term Notes (EMTN) programme</b>										
Gas Natural Capital Markets, S.A. and Naturgy Finance B.V.				Netherlands/Spain	1999	Euro	15,000	11,205	3,795	2,100

The main movements for the year are:

## **2018**

In January 2018 Naturgy issued bonds under its Euro Medium Term Notes (EMTN) programme for an amount of Euros 850 million maturing in 10 years and with a 1.5% coupon, the proceeds of which were used in a bond buy-back offer for Euros 916 million of debentures maturing between 2019 and 2023, which entailed a net disbursement of Euros 66 million. In the first half of 2018 two bonds have matured for a total amount of Euros 1,099 million and an average coupon of 4.59%.

On 22 October 2018, the company successfully repurchased bonds under its Euro Medium Term Notes (EMTN) programme amounting to Euros 314 million with maturities between 2019 and 2021. Additionally, on 18 December 2018 the repurchase of Euros 19 million of the bond maturing in January 2020 with a coupon of 4.50% was completed.

## **2017**

In April 2017 bonds were issued by Naturgy Capital Markets, S.A. under the EMTN programme for a value of Euros 1,000 million which was used to repurchase debentures amounting to Euros 1,000 million maturing in 2018, 2020 and 2021, therefore not leading to any cash movements.

Most of the drawn-down borrowings include a clause relating to a change in control, the activation of which depends on the simultaneity of some of the following events: the non-permanence of any of the current reference shareholders in a significant percentage; the loss of investment grade status from the Rating Agencies, or the incapacity to meet the financial obligations under the contract.

Specifically, the bonds issued, in a volume of Euros 9,708 million, could be redeemed in advance provided that such a change in control triggers a downgrade of more than two full notches in at least two of the three ratings that it had obtained, and all the ratings fall below investment grade, and provided that the rating agency states that the rating downgrade results from the change in control.

Borrowings from group companies and associates accrued an average interest rate of 2.81% in 2018 (3.51% in 2017).

There are no significant differences between the carrying amounts and fair values of Payables to Group companies and associates.

## Note 16. Trade and other payables

The breakdown at December 2018 and 2017 is as follows:

	At 31.12.18	At 31.12.17
Trade payables	249	194
Trade payables, Group companies and associates	267	289
Derivatives (Note 14)	117	122
Other payables	12	18
Personnel (outstanding remuneration)	29	45
Public Administrations	27	83
<b>Total</b>	<b>701</b>	<b>751</b>

Most payables do not accrue interest and have contractual maturity dates of less than 30 days, in the case of gas purchases and within the legal limits, for other suppliers.

At 31 December 2018, Accrued wages and salaries includes Euros 7 million in relation to termination benefits resulting from agreements with employees to terminate their employment contracts, to be paid in the first quarter of 2019. At 31 December 2017, Euros 25 million was recognised for this item, which was paid in the first quarter of 2018.

### Information on average supplier payment period. Additional Provision 3 “Duty of disclosure” of Law 15/2010/5 July

The average payment period is in accordance with Law 15/2010 on measures to combat late payment in business operations.

Information disclosed under the Resolution of 29 January 2016 of the Institute of Accountants and Auditors concerning the details to be included in the notes to the annual accounts concerning the average supplier payment period is as follows:

	2018	2017
	Amount	Amount
Total payments (thousand euro)	4,663,208	4,452,183
Total outstanding payments (thousand euro)	52,844	79,532
Average supplier payment period (days) (1)	17	20
Transactions paid ratio (days) (2)	17	20
Transactions pending payment ratio (days) (3)	34	23

(1) Calculated on the basis of amounts paid and pending payment.

(2) Average payment period in transactions paid during the year.

(3) Average age, suppliers pending payment balance.

The accompanying ratios do not include situations that could distort calculations, such as trade payables, group companies and associates.

## Note 17. Tax situation

The Company is the parent of tax consolidated group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, entailing the overall calculation of the group's taxable income, deductions and tax credits. The tax consolidated group for 2018 is analysed in Appendix I.

Corporate income tax is calculated on the basis of economic or accounting profit obtained by application of generally accepted accounting principles, which do not necessarily coincide with taxable profit, understood as taxable income for corporate income tax purposes.

The reconciliation of accounting profit for the years 2018 and 2017 to taxable income is as follows:

	At 31.12.18	At 31.12.17
<b>Accounting profit before tax</b>	<b>5,282</b>	<b>941</b>
<b>Permanent differences</b>	<b>(5,544)</b>	<b>(1,264)</b>
<b>Temporary differences:</b>		
Arising during current year	150	43
Arising in prior years	(70)	(23)
<b>Taxable income</b>	<b>(182)</b>	<b>(303)</b>

Permanent differences mainly relate to the application of the tax consolidation system and the double taxation exemption for dividends and income derived from the transfer of shares under Article 21 of Law 27/2014 on Corporate Income Tax, which has led to negative permanent differences of Euros 547 million resulting mainly from negative adjustments for dividends accruing during the year (Euros 1,264 million in 2017), the impairment of shareholdings in Group companies and associates amounting to Euros 4,565 million (Euros 133 million in 2017) and intragroup sales of shareholdings in Group companies and associates for an negative amount of Euros 9,590 million.

In 2018 the Company posted a tax loss of Euros 182 million (Euros 303 million in 2017), which is recovered from the Tax Group companies due to the taxable income generated by them during the year.

Law 27/2014 maintained the non-tax deductibility of impairment losses on equity interests, which had been introduced under Law 16/2013 with effect from 1 January 2013. In 2018 and 2017 the impairment losses recognised for shareholdings were not treated as tax deductible. Items yet to be included in the tax base after having filed the final corporate income tax return for 2017 are the following:

Company	Amounts pending inclusion in tax base in 2016	Amounts included in 2017	Amounts pending inclusion in tax base in 2017
Other	1	(1)	--
	<b>1</b>	<b>(1)</b>	<b>--</b>

Income tax expense is as follows:

	2018	2017
Current-year tax	(53)	(77)
Deferred tax	53	(5)
<b>Total</b>	<b>--</b>	<b>(82)</b>

Current corporate income tax is the result of applying a 25% tax rate to taxable income. In the tax consolidated group, tax credits applied in 2018 amounted to Euros 8 million (Euros 9 million in 2017) and no tax losses were offset. Adjustments are also included for prior-year taxable differences, entailing a decrease in the expense of Euros 2 million (decrease of Euros 13 million in 2017).

On 3 December 2016 Royal Decree-Law 3/2016 was published, adopting tax measures for the consolidation of public finances, which introduced relevant changes in the corporate income tax area. Among other matters, with effect from 1 January 2016 the obligation is laid down to reverse provisions for the impairment of shareholdings that would have been deductible before 2013 in a maximum term of five years, the offsetting of tax losses for large companies is limited to 25% of the preliminary tax base and the application of the tax credit for domestic or international double taxation generated or pending application is restricted to 50% of preliminary gross tax payable. Additionally, effective from 1 January 2017, losses on the transfer of shares will not be deductible. In 2018 and 2017 these measures did not have a significant impact on the Company's financial statements.

Incomes that qualify to the tax credit for reinvestment of extraordinary profits provided by Article 42 of the revised Corporate Income Tax Act introduced under Legislative Royal Decree-Law 4/2004 (TRLIS)

and the resulting investments made in previous periods are explained in the annual accounts for the relevant years. The relevant breakdown is as follows:

Year of sale	Amount obtained from sale	Amount reinvested	Income qualifying for deduction	Year reinvested
2011	2	2	1	2011
2014	412	412	209	2014
<b>Total</b>	<b>414</b>	<b>414</b>	<b>210</b>	

The reinvestment was made in fixed assets related to economic activities carried out by the Company itself or any other company included in the Consolidated Tax Group by virtue of the provisions of article 75 of the Corporate Income Tax Act.

Income qualifying for the tax scheme for transfers of assets made in compliance with competition law Additional Provision 4 of the revised CIT Act, is explained below:

Year of sale	Amount obtained from sale	Amount reinvested	Initial capital gain	Capital gain included in tax base at year end	Capital gain yet to be included in tax base at year end
2002	917	917	462	19	443
2003	39	39	20	--	20
2004	292	292	177	9	168
2005	432	432	300	1	299
2006	309	309	226	--	226
2009	161	161	87	--	87
2010	752	752	551	--	551
2011	450	450	394	--	394
2012	38	38	32	--	32
<b>Total</b>	<b>3,390</b>	<b>3,390</b>	<b>2,249</b>	<b>29</b>	<b>2,220</b>

The reinvestment has been made in fixed assets used in business activities both by the Company and by the other companies in the tax group, pursuant to Article 75 of the Corporate Income Tax Act.

A breakdown of the tax effect of each item on the Statement of Recognised Income and Expenses is as follows:

	At 31.12.18			At 31.12.17		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Cash flow hedges	27	(7)	20	(27)	7	(20)
Actuarial gains and losses and other adjustments	(24)	5	(19)	8	(2)	6
	<b>3</b>	<b>(2)</b>	<b>1</b>	<b>(19)</b>	<b>5</b>	<b>(14)</b>

A breakdown of deferred taxes is as follows:

	At 31.12.18	At 31.12.17
Deferred tax assets:	152	133
- Non-current	140	126
- Current	12	7
Deferred tax liabilities:	(212)	(227)
- Non-current	(212)	(227)
Net deferred tax	<b>(60)</b>	<b>(94)</b>

Movements and breakdown of deferred asset accounts are as follows:

Deferred tax assets	Provisions	Tax credits	Valuation of assets and financial instruments	Goodwill	Other	Total
<b>At 1.1.2017</b>	<b>105</b>	<b>6</b>	<b>3</b>	<b>11</b>	<b>3</b>	<b>128</b>
Creation (reversal)	4	--	--	1	--	5
Movements linked to equity adjustments	(2)	--	3	--	--	1
Transfers and other	4	(4)	--	(1)	--	(1)
<b>At 31.12.2017</b>	<b>111</b>	<b>2</b>	<b>6</b>	<b>11</b>	<b>3</b>	<b>133</b>
Creation (reversal)	3	--	--	1	16	20
Movements linked to equity adjustments	(5)	--	4	--	--	(1)
Transfers and other	--	--	--	--	--	--
<b>At 31.12.2018</b>	<b>109</b>	<b>2</b>	<b>10</b>	<b>12</b>	<b>19</b>	<b>152</b>

Deferred tax liabilities	Differences Depreciation	Deferred gains	Other	Total
<b>At 1.1.2017</b>	<b>3</b>	<b>210</b>	<b>18</b>	<b>231</b>
Creation (reversal)	--	--	--	--
Movements linked to equity adjustments	--	--	(4)	(4)
Transfers and other	--	(13)	13	--
<b>At 31.12.2017</b>	<b>3</b>	<b>197</b>	<b>27</b>	<b>227</b>
Creation (reversal)	(1)	--	(32)	(33)
Movements linked to equity adjustments	--	--	(2)	(2)
Transfers and other	--	10	10	20
<b>At 31.12.2018</b>	<b>2</b>	<b>207</b>	<b>3</b>	<b>212</b>

In 2015, the demerger of the thermal and hydraulic power generation business from the Company to Naturgy Generación, S.L.U. was completed. Pursuant to Article 76.3 of Law 27/2014, this operation was defined as a non-cash contribution of a line of business and was thus subject to the special scheme provided by Title VII, Chapter VIII of that law. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2015 annual accounts.

In 2014, the demerger of the thermal and hydraulic power generation business from the Company to Naturgy Generación, S.L.U. was completed. Pursuant to Article 83.3 of Royal Decree-Law 4/2004 whereby the Corporate Income Tax Act (CIT Act) was approved, this operation is defined as a non-cash contribution of a line of business and is thus subject to the special scheme provided for in Title VII, Chapter VIII of said Act. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2014 annual accounts.

In 2009, the companies Unión Fenosa, S.A. and Unión Fenosa Generación S.A. were merged into the Company under the special tax scheme for mergers, spin-offs, asset contributions, share exchanges and changes of registered address of European companies or European cooperatives from one European Union Member State to another, provided by Title VII, Chapter VIII TRLIS. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2009 annual accounts.

In July 2018 tax inspection proceedings were instigated against Naturgy Energy Group, S.A. as the parent company of Group 59/93 in relation to corporate income tax and as the parent company of Group 273/08 with respect to VAT. The periods under inspection for corporate income tax (tax consolidation regime) are from 2011 to 2015 and for VAT purposes (corporate group regime) from June 2014 to December 2015.

This notification interrupts the limitation period for assessing the taxes for the periods mentioned above with respect to the entire tax group for corporate income tax purposes and the VAT Group for VAT purposes.



The inspection proceedings are not expected to significantly impact the Group companies.

In accordance with Spanish tax legislation, at the date of preparation of these annual accounts, the Company's returns for the last four year for the principal taxes to which it is subject and which are not involved in the above-mentioned tax inspection are open to inspection.

On 3 November 2017 an unfavourable judgment was received from the Supreme Court in relation to the tax inspection assessments resulting from inspections on corporate income tax for 2003-2005, due to the application of the deduction for export activities. These assessments had been fully provided for (Note 12) and amounted to Euros 4 million, which has been fully offset by balances to be refunded by the Spanish tax authorities.

As a result, among other things, of the different interpretations to which current tax legislation lends itself, additional liabilities could arise as a result of an inspection. The Company considers, however, that any liabilities that might arise would not significantly affect these Annual accounts.

Naturgy has recorded provisions for obligations deriving from a number of tax claims. There are no lawsuits or uncertain tax treatments which are individually significant (Note 12).

## Note 18. Revenue

Sales break down as follows:

	2018	2017
Electricity sales	1,845	1,714
Natural gas sales	1,614	1,420
Other sales	5	5
Income from equity instruments of Group companies and associates (Note 7)	547	1,470
Income from marketable securities and other financial instruments of Group companies and associates	516	444
<b>Total</b>	<b>4,527</b>	<b>5,053</b>
	<b>2018</b>	<b>2017</b>
Domestic market	4,130	4,569
Export market	397	484
- European Union	385	445
- OECD countries	--	8
- Other countries	12	31
<b>Total</b>	<b>4,527</b>	<b>5,053</b>

Electricity and gas sales are made basically in the domestic market and relate to gas and electricity sales to other Naturgy companies.

The Company also has gas supply contracts for other Naturgy companies and in the electricity area it acts as representative of the Naturgy generation and supply companies before the Electricity Market.

## Note 19. Raw materials and consumables

Includes purchases of gas and electricity related to the activity of selling gas and electricity to other Naturgy companies.

## Note 20. Personnel expenses

The breakdown of this account in the income statement for 2018 and 2017 is as follows:

	2018	2017
Wages and salaries	150	151
Termination benefits	65	29
Social security costs	24	26
Defined contribution plans	12	13
Defined benefit plans (Note 12)	2	2
Share-based payments (Note 11)	4	--
Other	5	13
<b>Total</b>	<b>262</b>	<b>234</b>

The average number of Company employees in 2018 and 2017 is as follows:

	2018	2017
Executives	488	494
Middle management	202	204
Specialists	723	738
Workers	293	348
<b>Total</b>	<b>1,706</b>	<b>1,784</b>

The average number of Company employees during 2018 and 2017 with a disability equal to or greater than 33% is as follows:

	2018		2017	
	Men	Women	Men	Women
Executives	3	1	3	--
Middle management	2	1	1	1
Specialists	11	12	12	13
Workers	5	7	7	10
<b>Total</b>	<b>21</b>	<b>21</b>	<b>23</b>	<b>24</b>

the number of Company employees at the end of 2018 and 2017 broken down by category and gender is as follows:

	2018		2017	
	Men	Women	Men	Women
Executives	276	167	332	172
Middle management	93	93	112	102
Specialists	260	384	345	412
Workers	53	190	92	252
<b>Total</b>	<b>682</b>	<b>834</b>	<b>881</b>	<b>938</b>

## Note 21. Other operating expenses

A breakdown of this heading on the income statement account for 2018 and 2017 is as follows:

	2018	2017
Taxes	2	2
Leases, royalties, operation and maintenance	71	80
Professional services and insurance	35	58
Advertising and other commercial services	22	26
Contribution Naturgy Foundation	7	7
Impairment losses and changes in trade provisions (Note 9)	9	--
Other	169	171
<b>Total</b>	<b>315</b>	<b>344</b>

The Company makes contributions to the Naturgy Foundation to enable it to carry out its energy and environmental projects in the community area, as well to fund international initiatives and the activities of the Gas Museum and Historical Archive.

In the community area, the Naturgy Foundation has broadened its activities to place greater emphasis on its community initiatives, defining new strategic lines for actions aimed at palliating energy vulnerability.

## Note 22. Other operating income

This account includes Euros 353 million in transactions with group companies and associates in 2018 (Euros 380 million in 2017).

## Note 23. Net financial income/(expense)

The breakdown of this account in the Income statement for 2018 and 2017 is as follows:

	2018	2017
Income from marketable securities and other financial instruments	30	31
<b>Total financial income</b>	<b>30</b>	<b>31</b>
Cost of borrowings	(451)	(545)
Interest expense on pensions (Note 12)	(5)	(4)
Other financial expense	(80)	(37)
<b>Total financial expense</b>	<b>(536)</b>	<b>(586)</b>
Variation in fair value of financial instruments	8	1
Trading portfolio and other available-for-sale assets	8	1
Net exchange differences	(8)	(1)
Impairment and gains/(losses) on disposals of financial instruments	1	--
<b>Net financial income/(expense)</b>	<b>(505)</b>	<b>(555)</b>

## Note 24. Foreign currency transactions

Transactions effected in foreign currencies are analysed below, the main currency being the US dollar:

	2018	2017
Sales	1,009	713
Income from equity instruments of Group companies and associates	--	40
Income from marketable securities and other financial instruments of Group companies and associates	12	9
Purchases	(1,006)	(772)
Services received	(9)	(23)
<b>Total</b>	<b>6</b>	<b>(33)</b>

## Note 25. Information on transactions with related parties

The following are related parties for the purposes of this Note:

- Significant Company shareholders, i.e. those directly or indirectly owning an interest of 5% or more, and those who, though not significant, have exercised the power to propose the appointment of a member of the Board of Directors.
- Based on this definition, the significant shareholders of Naturgy are Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona ("la Caixa"), Repsol, S.A. (Repsol) until 17 May 2018, Rioja Bidco Shareholdings, S.L.U. (controlled by the funds advised by CVC) since 18 May 2018, Global Infrastructure Partners III (GIP) and related companies.
- Directors and executives of the Company and their immediate families. The term "director" means a member of the Board of Directors; "executive" means direct dependency of Executive Chairman and the Internal Audit Director. Operations with directors and executives are disclosed in Note 26.
- Transactions between Group companies form part of ordinary activities and are effected at arm's length. Group companies includes the amount that reflects the Company's share of the balances and transactions with companies consolidated under the equity method.

At 1 January 2018 Naturgy ceased to regard CaixaBank and the companies that make up its consolidated group as a related entity. However, CriteriaCaixa and its consolidated group continue to be regarded as a related party as the criteria laid down by international and commercial legislation have been maintained.

The aggregated amounts of operations with significant shareholders are as follows (in thousand Euros):

Income and expense (in thousand Euros)	2018				2017		
	"la Caixa" group (*)	Repsol group (**)	Rioja Bidco/CVC Capital Partners (***)	GIP group	"la Caixa" group	Repsol group	GIP group
Financial expenses	--	--	--	--	1,007	--	--
Receipt of services	1	801	--	--	7,315	1	--
Purchases of goods	--	--	--	--	--	2,408	--
Other expenses (1)	--	--	--	--	20,796	--	--
<b>Total expenses</b>	<b>1</b>	<b>801</b>	<b>--</b>	<b>--</b>	<b>29,118</b>	<b>2,409</b>	<b>--</b>
Financial income	--	--	--	--	5	--	--
Provision of services	--	38	--	--	--	--	--
Sale of goods	--	293	--	--	--	--	--
<b>Total income</b>	<b>--</b>	<b>331</b>	<b>--</b>	<b>--</b>	<b>5</b>	<b>--</b>	<b>--</b>

Other transactions (thousand euro)	2018				2017			
	"la Caixa" group (*)	Repsol group (**)	Rioja Bidco/CV C Capital Partners (***)	GIP group	"la Caixa" group	Repsol group	GIP group	
Financing agreements, loans and capital contributions(lender) (2)	--	--	--	--	1,152,621	--	--	
Financing agreements, loans and capital contributions(borrower) (3)	--	--	--	--	100,000	--	--	
Warranties and guarantees received	--	--	--	--	160,000	--	--	
Dividends and other profits distributed (****)	346,808	--	281,202	280,193	244,558	200,859	200,138	
Other operations (4)	--	--	--	--	666,476	--	--	

(\*) Since 1 January 2018 only transactions with Fundación la Caixa and Critería Caixa are reported.

(\*\*) Until 17 May 2018.

(\*\*\*) Since 18 May 2018.

(\*\*\*\*) The "la Caixa" dividend includes Euros 22,516 thousand paid to Energía Boreal 2018, S.A.

- (1) Includes contributions to pension plans, group insurance policies, life insurance and other expenditure.
- (2) Includes cash and cash equivalents.
- (3) At 31 December 2018, credit lines contracted with "la Caixa" amounted to Euros 569,000 thousand (Euros 569,000 thousand at 31 December 2017), of which no amounts having been utilised. "La Caixa" is not involved in other loans (Euros 100,000 thousand at 31 December 2017).
- (4) In 2017, the heading "Other transactions" with "La Caixa" included Euros 565,568 thousand in respect of foreign exchange hedges and Euros 100,908 thousand in respect of interest rate hedges.

The aggregated amounts of operations with group companies and associates are as follows (in million Euros):

Expenses, income and other transactions	2018		2017	
	Group companies	Jointly-controlled entities and associates	Group companies	Jointly-controlled entities and associates
Financial expenses	(464)	--	(496)	--
Lease expenses	(33)	(6)	(39)	(6)
Receipt of services	(28)	--	(28)	--
Purchases of goods	(171)	--	(2,329)	--
<b>Total expenses</b>	<b>(696)</b>	<b>(6)</b>	<b>(2,892)</b>	<b>(6)</b>
Financial income	516	--	444	--
Dividends received	546	1	1,486	1
Sale of goods	1,839	--	3,533	--
Other income	351	2	375	5
<b>Total income</b>	<b>3,252</b>	<b>3</b>	<b>5,838</b>	<b>6</b>

The item "Purchases of goods" relates basically to electricity purchased from the other Group companies, since the Company is their market representative.

Under the heading "Dividends received" are included the dividend payments from voluntary reserves, registered as a lower value on investments in group companies (Note 7).

"Sales of goods" includes sales of natural gas derived from supply and electricity contracts, as it acts as the representative of the Group companies vis-à-vis the market.

The heading "Other income" includes income from services rendered in accordance with the nature and extent thereof (Note 22).

Costs shared between the Company and other group companies are allocated on the basis of business or cost generation parameters.

Detailed definitions are prepared of services to be provided and of related activities or tasks in order to determine the measurement indicators used to calculate costs allocated. Transactions between companies are objective, transparent, non-discriminatory and always effected at arm's length.

## Note 26. Information on members of the Board of Directors and senior management personnel

### Remuneration of the members of the Board of Directors

The remuneration policy for the members of the Board of Directors was approved at the General Shareholders' Meeting held on 27 June 2018 and is periodically reviewed and revised by the Board of Directors following a report from the Appointments and Remuneration Committee, in order to keep it aligned with the best practices in the reference market and with the objectives indicated in the Bylaws.

The amount accrued by the members the Board of Directors of Naturgy Energy Group, S.A., for belonging to the Board of Directors, Executive Committee (EC), Audit Committee (CA) and Appointments and Remuneration Committee (ARM), totalled Euros 4,412 thousand (Euros 4,668 thousand in 2017), broken down in euros as follows:

	Office	Board	EC	AC	ARC	Total
Mr. Francisco Reynés Massanet <sup>(1)</sup>	Executive Chairman	789,286	239,285	-	-	1,028,571
Mr. Isidro Fainé Casas <sup>(2)</sup>	Chairman	60,714	60,714	-	-	121,428
Mr. Rafael Villaseca Marco <sup>(2)</sup>	Chief Executive Officer	13,964	13,964	-	-	27,928
Mr. Ramón Adell Ramón	Coordinating Director	185,136	69,000	51,818	48,226	354,180
Mr. Enrique Alcántara-García Irazoqui	Director	156,500	-	51,818	-	208,318
Mr. Iñigo Alonso de Noriega <sup>(4)</sup>	Director	27,823	-	-	5,498	33,321
Mr. Xabier Añoveros Trias de Bes <sup>(6)</sup>	Director	69,000	-	21,818	-	90,818
Mr. Marcelino Armenter Vidal	Director	156,500	69,000	-	30,000	255,500
Mr. Mario Armero Montes <sup>(8)</sup>	Director	69,000	-	-	-	69,000
Mr. Francisco Belil Creixell	Director	156,500	69,000	50,162	43,636	319,298
Ms. Benita María Ferrero-Waldner <sup>(8)</sup>	Director	69,000	69,000	-	-	138,000
Mr. Alejandro García-Bragado Dalmau <sup>(7)</sup>	Director	53,790	28,935	-	10,411	93,136
Ms. Cristina Garmendia Mendizábal <sup>(8)</sup>	Director	69,000	-	16,657	10,411	96,068
Ms. Helena Herrero Starkie	Director	156,500	-	51,818	-	208,318
Mr. Josu Jon Imaz San Miguel <sup>(3)</sup>	First Deputy Chairman	23,000	23,000	-	-	46,000
Mr. Guillermo Llopis García <sup>(4)</sup>	Director	27,823	6,677	8,798	-	43,298
Mr. Miguel Martínez San Martín <sup>(3)</sup>	Director	23,000	23,000	-	4,546	50,546
Mr. Rajaram Rao	Director	156,500	69,000	51,818	-	277,318
Rioja Bidco Shareholdings, S.L.U., Mr. Javier de Jaime Guijarro <sup>(6)</sup>	Director	103,823	16,322	-	33,226	153,371
Mr. Pedro Sainz de Baranda <sup>(9)</sup>	Director	87,500	-	30,000	30,000	147,500
Mr. Claudio Santiago Ponsa <sup>(9)</sup>	Director	87,500	-	-	30,000	117,500
Mr. Luis Suárez de Lezo Mantilla <sup>(5)</sup>	Director	52,677	27,823	11,496	-	91,996
Theatre Directorship Services Beta, S.à.r.l., Mr. José Antonio Torre de Silva López de Letona <sup>(6)</sup>	Director	103,823	16,322	35,161	-	155,306
Theatre Directorship Services Beta, S.à.r.l., Mr. Juan Arbide Estensoro <sup>(6) y (8)</sup>	Director	16,323	-	-	-	16,323
Mr. William Alan Woodburn	Director	156,500	69,000	-	43,636	269,136
		<b>2,871,182</b>	<b>870,042</b>	<b>381,364</b>	<b>289,590</b>	<b>4,412,178</b>

(1) Since 6 February 2018.

(2) Until 6 February 2018.

(3) Until 06 March 2018.

(4) From 6 March 2018 to 18 May 2018.

(5) Until 18 May 2018.

(6) Since 18 May 2018.

(7) Until 21 May 2018.

(8) Until 27 June 2018.

(9) Since 27 June 2018.

In 2018, as in 2017, no amounts were received for other items.

At 31 December 2017, the Board of Directors consisted of 17 members. On 6 February 2018, the Board of Directors agreed to appoint a new Executive Chairman due to the departure of the former CEO and Chairman. As a result, the number of Board members was reduced to 16 persons.

Finally, on 27 June 2018, the General Shareholders' Meeting approved the reduction in the number of members of the Board of Directors 12 members. In addition, the Executive Committee was eliminated and the number of members of the Audit Committee was set at 7 persons and the number of Appointments and Remuneration Committee members was set at 7 persons.

Until 6 February 2018, the amounts accrued to the Chief Executive Officer for executive functions in respect of fixed remuneration, annual variable remuneration, multi-year variable remuneration and other items totalled Euros 130 thousand, Euros 115 thousand, Euros 898 thousand and Euros 4 thousand, respectively, in 2018 (Euros 1,285 thousand, Euros 1,131 thousand, Euros 757 thousand and Euros 16 thousand in 2017). He also received the agreed termination benefit of three years' total remuneration and compensation for the no-competition agreement of one year's total salary amounting to Euros 4,248 thousand. Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 34 thousand in 2018 (Euros 321 thousand in 2017).

As from 6 February 2018, the amounts accruing to the Executive Chairman for executive functions carried out in respect of fixed remuneration, annual variable remuneration and other items amounted to Euros 809 thousand, Euros 1,803 thousand and Euros 11 thousand, respectively, in 2018.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 490 thousand in 2018. Funds accumulated due to these contributions amount to Euros 360 thousand at 31 December 2018.

The Chairman's contract was approved by the Board of Directors on 6 February 2018 and provides for a fixed remuneration component, an annual variable component and a long-term incentive plan, as well as other welfare benefits.

At a meeting held on 31 July 2018 the Board of Directors approved a long-term variable incentive plan (LTI) in which the Executive Chairman and 25 other executives take part. It is arranged through the acquisitions of shares the main characteristics of which are described in Note 14. The new incentive requires the adaptation of the Remuneration Policy and the Executive Chairman's contract, which are subject to the suspensive condition of being approved by the shareholders in general meeting.

In the central scenario, the Executive Chairman would receive an amount of 125% of the total annual fixed remuneration, multiplied by the expected duration in years of the LTI. This central scenario envisages the distribution of all the dividends foreseen in the Strategic Plan 2018-2022. Also to ensure this scenario it is required that the share price in July 2023 will be above to the purchase price of Euros 23.15.

The Chairman's contract provides for an indemnity for termination or non-renewal as a director of two annual payments of the combined amount of total fixed remuneration, annual variable remuneration and 1.25 times total fixed remuneration (as long-term variable remuneration subject to having achieved the minimum profitability target under the LTI). The indemnity will not be payable in the event of the serious and culpable nonfulfillment of his professional obligations causing significant harm to Naturgy's interests. In addition, as consideration for a post-contractual no-competition agreement with a duration of one year, an indemnity equivalent to one year's full fixed remuneration is provided for.

Except as mentioned for the CEO, the members of the Board of Directors of the Company have not received remuneration from profit sharing, bonuses or indemnities, and have not been given loans or advances. Neither have they received shares or share options during the year, nor have they exercised options or have options to be exercised.

The members of the Board of Directors are covered with the same liability policy that insures all managers and directors of Naturgy. The premium paid in 2018 by Naturgy, S.A. for the entire policy amounted to Euros 121 thousand (Euros 109 thousand in 2017).

## **Transactions with Directors**

The Directors have the obligation to avoid conflicts of interest as established by the Board Regulations of Naturgy Energy Group, S.A. and Articles 228 and 229 of the Spanish Companies Law. Additionally, these articles require that conflicts of interest incurred by the board shall be reported in the annual accounts.

The Directors of Naturgy have not reported any conflict of interest to the Board of Directors that has to be notified.

In transactions with related parties (significant shareholders) that have been submitted for approval by the Board, subject to a favourable report of the Audit Committee, any directors linked to the related party involved have abstained.

During the years 2018 and 2017, the members of the Board have not carried out related transactions outside the ordinary course or transactions that are not conducted under normal market conditions with the company or Group companies.

## **Senior management remuneration**

For the sole purposes of the information contained in this section, "senior management personnel" refers to executives reporting directly to the Executive Chairman, excluding the Executive Chairman, whose remuneration has been included in the previous section, and to the Internal Audit Director.

At 31 December 2018, 13 people make up this group, without taking into account the Internal Audit Director (11 people at 31 December 2017), one of whom is a woman. During 2018 there were two new members in July and two departures in December.

The amounts accrued by senior management personnel in respect of fixed remuneration, annual variable remuneration, multi-year variable remuneration and other items totalled Euros 6,769 thousand, Euros 3,853 thousand, Euros 595 thousand and Euros 230 thousand, respectively, in 2018 (Euros 5,507 thousand, Euros 2,595 thousand, Euros 1,641 thousand and Euros 108 thousand in 2017).

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 1,599 thousand in 2018 (Euros 2,564 thousand in 2017). Funds accumulated due to these contributions amount to Euros 23,309 thousand at 31 December 2018 (Euros 26,367 thousand at 31 December 2017).

At a meeting held on 31 July 2018 the Board of Directors approved a long-term variable incentive plan (LTI) in which the Executive Chairman and 25 other executives take part. It is arranged through the acquisitions of shares the main characteristics of which are described in Note 11.

Advances amounting to Euros 30 thousand had been granted to management personnel at 31 December 2018 (zero at 31 December 2017). At 31 December 2018, Naturgy had not granted any new guarantees on loans to management personnel (Euros 754 thousand at 31 December 2017). Severance benefits received by senior management personnel leaving Naturgy amounted to Euros 6,493 thousand in 2018 (zero in 2017).

The contracts signed with the 11 directors contain a clause that establishes compensation between a fixed annual remuneration in some cases and three and a half annual remuneration in others, in certain cases of extinction of the relationship, which include certain situations of change in control, unfair dismissal or the cases contemplated in articles 40, 41 or 50 of the Statute of Workers. Likewise, 10 of these contracts contain a clause that establishes compensation equivalent to an annuity of fixed remuneration for post-contractual non-competition for a period of two years.



## Note 27. Contingent liabilities and commitments

### Guarantees

Guarantees furnished by Naturgy Energy Group, S.A. at 31 December 2018 and 2017 are as follows:

- Guarantees provided to third parties, basically for investment commitments of Group companies, amounting to Euros 55 million (Euros 138 million at 31 December 2017).
- Guarantees relating to the economic obligations resulting from its participation in the Spanish electricity system (MEFF and OMIE) for Euros 160 million (Euros 200 million at 31 December 2017).
- Guarantee exist for compliance with obligations under loans received by Group companies amounting to Euros 7 million and USD 75 million.
- Guarantees to group companies Naturgy Capital Markets, S.A., Naturgy Finance, B.V., Unión Fenosa Preferentes, S.A.U. and Gas Natural México S.A. de C.V. for debt issuances carried out by them totalling Euros 11,531 million (Euros 12,879 million at 31 December 2017).
- Guarantees to group companies Naturgy Aprovisionamientos, S.A. and Gas Natural Europe, S.A.S for obligations under the gas purchase and transport contracts and gas tanker chartering agreements.
- Irrevocable guarantee for all the liabilities and commitments of Naturgy Energy (UK), Ltd. and its subsidiaries in Ireland at 31 December 2018 and 31 December 2017, in accordance with Article 357 of the 2014 Companies Act of Ireland, in order to file the consolidated financial statements of Naturgy instead of its separate financial statements on the basis of the exemption allowed under Section 1 (b) of said Act.

As the above guarantees are basically granted in order to guarantee the fulfilment of contractual obligations or investment commitments, the events that would lead to their execution, and therefore a cash disbursement, would be the nonfulfillment by Naturgy of its obligations in the ordinary course of its business, the probability of which is considered remote. Naturgy estimates that the liabilities not foreseen at 31 December 2018, if any, that could arise from guarantees furnished, would not be significant.

### Contractual commitments

At 31 December 2018, the Company is party to several gas supply contracts with “take or pay” clauses negotiated for “own use” (Note 3.5), by virtue of which it has gas purchase rights for the period 2019-2040 in the amount of Euros 3,489 million, calculated on the basis of natural gas prices at 31 December 2018 (2017: Euros 8,056 million based on natural gas prices at 31 December 2017).

Operating lease obligations breakdown as follows:

	2018	2017
Up to one year	17	20
Between 1 and 5 years	76	73
Between 5 and 10 years	32	43
	<b>125</b>	<b>136</b>

Includes the rent of the “Torre del Gas” building owned by Torre Marenostrom, S.L., for which the Company has an operating lease without a purchase option until 2019 extendible at market value for successive periods of three years, on a discretionary basis for the Company and an obligatory basis for Torre Marenostrom S.L.

It also includes operating leases without a purchase option for five properties in Madrid (Avenida San Luis 77, Antonio López 193, Acanto 11-13, Avenida América 38 and calle Lérida) for a nine-year term which may be extended for five years except in the case of Avenida América 38 (Note 6).

## Litigation, arbitration, guarantees and commitments

The Company is involved in certain judicial and extrajudicial disputes within the ordinary course of their activities. At the date of preparation of these annual accounts, the main litigation or arbitration in which the Company is involved are the following:

### *Qatar Gas arbitration*

In May 2015, Naturgy commenced an arbitration procedure against Qatar Liquefied Gas Company Limited in order, among other matters, to set the prices for gas supplies that it receives from said company. Naturgy has requested a price reduction and the supplier has requested an increase. The award was delivered on 3 February 2018 and contains various provisions that require negotiations between the parties, which have given rise to a second arbitration process.

### *Unión Fenosa Gas*

In 2014, Egyptian Natural Gas Holding (EGAS), an Egyptian public company, ceased to supply gas to Unión Fenosa Gas, a company 50% owned by Naturgy, and stopped paying the utilisation fee for the Damietta liquefaction plant. This led to Unión Fenosa Gas instigating arbitration proceedings at various locations (Madrid, El Cairo and the CIADI) against this supplier, which requested the nullity of the contract, and against the Arab Republic of Egypt. In December 2017 the arbitration proceedings against EGAS conducted in Cairo concluded with a decision that confirmed the position of Unión Fenosa Gas concerning the nonfulfillment of the relevant obligations. The decisions on the arbitration under way in Madrid have yet to be delivered. In August 2018 a decision was made in the investment protection arbitration proceedings (ICSID) against the Arab Republic of Egypt, ordering it to pay USD 2,013 million after taxes and before interest. On 19 December 2018 Unión Fenosa Gas obtained confirmation of the award in the United Kingdom and expects to obtain confirmation in the United States. On 21 December 2018, the Arab Republic of Egypt submitted an appeal to the ICSID against the award and requested its suspension while the appeal proceedings last, as has been done.

### *Social Bond*

The Supreme Court has ordered to reimbursement of the amounts contributed by Naturgy Energy Group, S.A. to the social bond for 2014 to 2016 (Euros 74 million) in accordance with Royal Decree-Law 9/2013. However, this decision has been appealed against by the government before the Constitutional Court. Though unlikely, said Court could revoke the Supreme Court ruling.

The Company's balance sheet at 31 December 2018 includes provisions for litigation, based on the best estimate made using the information available at the date of preparation of these annual accounts on their progress and ongoing negotiations, which cover the estimated risks. The Company therefore considers that no significant liabilities will be derived from the risks described in the relevant section of this Note.

## Note 28. Auditors' fees

The fees accrued in thousand euro by the different companies trading under the Ernst & Young brand in 2018 (PwC in 2017) are as follows:

	Thousand Euros					
	2018			2017		
	Ernst & Young, S.L.	Rest E&Y network	Total	PwC Auditores, S.L.	Rest PwC network	Total
Auditing services	681	--	681	912	--	912
Assurance services and services related to the audit (1)	42	--	42	383	--	383
Other services (1)	181	--	181	146	881	1,027
<b>Total fees</b>	<b>904</b>	<b>--</b>	<b>904</b>	<b>1,441</b>	<b>881</b>	<b>2,322</b>

(1) These headings include verification reports on non-financial information, comfort letters and advice on sustainability

## Note 29. Environment

### Environmental actions

Naturgy is aware of its activities' environmental impacts and therefore the company pays particular attention to the protection of the environment and the efficient use of natural resources to meet energy demand.

Responsible environment management is a strategic pillar for Naturgy and is structured around three strategic axes:

- Climate and air: contributing to the mitigation of climate change, the energy transition and the improvement of air quality.
- Circular economy: enhancing eco-efficiency in the use of resources to reduce negative environmental impacts.
- Natural capital and biodiversity: promoting the conservation of natural and cultural heritage in the areas of action.

To achieve this, environmental management is based on the ISO 14001 model, the correct functioning of which is audited externally each year, providing the tools required to optimise environmental management.

In climate and air, the main lines of action carried out in 2018 to reduce emissions are the replacement of carbon-intensive fuels by more sustainable fuels, renewable generation and the reduction of leak emissions in gas distribution networks.

In 2018 direct CO<sub>2</sub> emissions fell compared with 2017 as two factors. First, the meteorological conditions have led to an increase in renewable generation (hydroelectric and, to a lesser extent, wind power) and a reduction in coal generation, resulting in a reduction in CO<sub>2</sub> emissions. Secondly, the disinvestments in Kenya, in CO<sub>2</sub>-intensive generation technologies and in Colombia (gas distribution) have also contributed to the reduction in greenhouse gas emissions.

In the circular economy, the lines of work are different. Firstly, energy efficiency improvement projects were carried out, both at our own facilities and at our customers', and initiatives were developed to reduce the consumption of various materials and consumables. Actions have also been taken to enhance waste recovery and reduce waste generation. With regard to water, measures have been taken to optimise water consumption, such as the actions taken at the Aceca CC plant to reduce consumption of clarified water. On a global level there was a decrease in 2018 compared to 2017, mainly due to lower demand for coal-fired power plants. It should finally be noted that innovation projects have been carried out in new energy models that are fully aligned with the circular economy. An example of this is the pilot plants to generate renewable gas from urban wastewater at the Arazuri (Navarra) or Bens treatment plants and the Metamorphosis project to convert waste treatment plants into bioenergy plants.

In 2018, Naturgy has conducted multiple actions in the natural capital and biodiversity area, all of which are aligned with the prevention, reduction and compensation for its impacts and the enhancement of the value of the natural surroundings.

The environmental activities undertaken in 2018 by the Company amounted to Euros 11 million, Euros 1 million relating to environmental investment and Euros 10 million relating to the costs of environmental management at facilities (Euros 1 million for environmental investments and Euros 9 million related to expenses incurred in environmental management at facilities in 2017).

Finally, referring to possible contingencies, indemnities and other environmental risks that may be incurred by the company, third-party liability insurance policies are in place to cover any damage that might arise.

**Note 30. Events after the reporting date**

There were no significant events between 31 December 2018 and the date of preparation of these financial statements.

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## APPENDIX I. NATURGY TAX GROUP COMPANIES

The companies in the Naturgy tax group are as follows:

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Naturgy Energy Group, S.A.	Naturgy Iberia, S.A.
Boreas Eólica 2, S.A.	Naturgy Informática, S.A.
Comercializadora Regulada Gas & Power, S.A.	Naturgy Infraestructuras EMEA, S.L.
Energías Ambientales de Somozas, S.A.	Naturgy Inversiones Internacionales, S.A.
Energías Especiales Alcohólicas, S.A.	Naturgy LNG, S.L.
Europe Maghreb Pipeline, Ltd.	Naturgy Participaciones, S.A.
Explotaciones Eólicas Sierra de Utrera, S.L.	Naturgy Renovables, S.L.U.
Fenosa, S.L.U.	Naturgy Wind 4, S.L.U.
Gas Natural Comercializadora, S.A.	Naturgy Wind, S.L.U.
Gas Natural Exploración, S.L.	Nedgia Andalucía, S.A.
Gas Natural Fenosa Renovables Ruralia, S.L.U.	Nedgia Aragón, S.A.
Gas Natural Redes GLP, S.A.	Nedgia Balears, S.A.
Gas Natural Transporte SDG, S.L.	Nedgia Castilla La-Mancha, S.A.
General de Edificios y Solares, S.L.	Nedgia Catalunya, S.A.
Global Power Generation, S.A.	Nedgia Cegas, S.A.
GPG Ingeniería y Desarrollo de Generación, S.L.U.	Nedgia Madrid, S.A.
GPG México Wind, S.L.U.	Nedgia Navarra, S.A.
GPG México, S.L.U.	Nedgia, S.A.
Holding de Negocios de Gas, S.A.	Operación y Mantenimiento Energy, S.A.
J.G.C. Cogeneración Daimiel, S.L.	P.E. El Hierro, S.L.
La Energía, S.A.	P.E. Montamarta, S.L.
La Propagadora del Gas, S.A.	P.E. Nerea, S.L.
Lignitos de Meirama, S.A.	P.E. Peñaroldana, S.L.
Naturgy Acciones, S.L.	Petroleum Oil & Gas España, S.A.
Naturgy Alfa Investments, S.A.U	Sagane, S.A.
Naturgy Almacenamientos Andalucía, S.A.	Sociedad de Tratamiento Hornillos, S.L.
Naturgy Aprovisionamientos, S.A.	Sociedad Parque Eólico Mouriños, S.L.U.
Naturgy Capital Markets, S.A.	Societat Eòlica de l'Enderrocada, S.A.
Naturgy Distribución Latinoamérica, S.A.	Tratamiento Cinca Medio, S.L.
Naturgy Electricidad Colombia, S.L.	Tratamiento Almazán, S.L.U.
Naturgy Engineering, S.L.	UFD Distribución Electricidad, S.A.
Naturgy Gas and Power, S.L.U.	Unión Fenosa Minería, S.A.
Naturgy Generación, S.L.U.	Unión Fenosa Preferentes, S.A.U.

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**Naturgy Energy Group, S.A.**  
**2018 Annual Report**

**Director's Report**

**Directors' Report for the year ended 31 December 2018**

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## 1. Business performance and results

The main financial aggregates of Naturgy Energy Group, S.A. and their performance are as follows:

	2018	2017	%
Net turnover	4,527	5,053	(10.4)
Operating profit	5,787	1,496	286.8
Profit for the year	5,282	1,023	416.3
Shareholders' equity	17,253	13,473	28.1
Net equity	17,226	13,466	27.9
Current liabilities	2,286	4,240	(46.1)

Naturgy Energy Group, S.A., is a company that develops its activity basically through the tendency of other group and associated companies shares, so information below refers to de Consolidated group of Naturgy.

### 1.1. Main milestones and key figures

#### 1.1.1. Main milestones in 2018

##### January to March

- Naturgy issued Euros 850 million in 10-year bonds paying 1.5%, the proceeds from which were used to tender for Euros 916 million in bonds maturing between 2019 and 2023.
- Publication of the first report in compliance with Decree-Act 18/2017 on non-financial and diversity disclosures, which transposed into Spanish law European Directive 2014/95 as regards disclosure of non-financial and diversity information and requires companies to report on environmental, social and governance issues.
- On 1 and 22 February 2018, following approval by the competition authorities, the sale of the gas distribution and supply companies in Italy for Euros 766 million was completed, resulting in a capital gain of Euros 188 million after taxes.
- On 6 February 2018, following the resignation of Mr. Rafael Villaseca Marco as Managing Director of the company, the Board of Directors of Naturgy appointed Mr. Francisco Reynés Massanet as Executive Chairman. Additionally, Mr. Isidro Fainé Casas resigned as a director and was appointed Honorary Chairman of Naturgy.
- On 22 February 2018, Repsol reached an agreement to sell its 20.072% stake in the capital of Naturgy Energy Group, S.A. to Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC; the deal was completed in May 2018.
- Top Employers 2018 recognition due to having some of the highest standards in work conditions.
- Naturgy, through subsidiary Global Power Generation (GPG), acquired two solar photovoltaic projects in Brazil in March 2018. The development of these projects, located in the state of Minas Gerais and with a total capacity of 83 MW, represented an investment of over Euros 95 million; they entered commercial operation on 12 December 2018.
- On 19 March 2018, following approval by the competition authorities, a minority 20% stake in the company Holding de Negocios de Gas, S.A., which owns gas network assets in Spain, was sold to a consortium of long-term infrastructure investors comprising Allianz Capital Partners and Canada Pension Plan Investment Board for Euros 1.5 billion, resulting in a capital gain of Euros 1 billion.

##### April to June

- The volunteer programme with the Red Cross that commenced in 2017 concluded in June 2018, having attained a total of 481 Naturgy volunteers; 437 families were assisted in person, 108 express refurbishments were performed, and another 1,080 households received energy efficiency kits and energy advice workshops.



- The sale of the remaining 41.9% of the gas distribution business in Colombia for Euros 334 million, i.e. its net carrying amount net of dividends received, was completed on 1 June 2018.
- On 27 June 2018, the Shareholders' Meeting approved the distribution of income consisting of allocating Euros 1,001 million out of 2017 income to dividends. That is a dividend of Euros 1 per share, of which Euros 0.33 per share was paid as an interim dividend in cash on 27 September 2017 and the remaining Euros 0.67 per share, also in cash, on 5 July 2018.
- The Shareholders' Meeting also approved the Business Plan 2018-2022, which establishes a new industrial and business unit model, providing for the continuity of the businesses and markets in the future, and updating the main premises and business projections.
- On 27 June 2018, Naturgy reached an outline agreement to sell its 70% stake in Kangra Coal (a mine in South Africa) to Menar Holding. The sale was completed in December 2018.
- Additionally, on 27 June 2018, Naturgy reached an agreement to sell its 100% stake in Iberafrika Power, in Kenya, to AEP Energy Africa Limited; the sale is expected to be completed the first quarter of 2019.
- In June, Naturgy was awarded the "*Empresa más igual*" seal by the Madrid regional government.

### **July to September**

- In July 2018, the company obtained the Bequal plus certificate, which recognises companies with excellent management of people in terms of diversity of ability.
- In September 2018, Naturgy concluded the agreement to renew and extend the gas supply contract with Sonatrach to 2030 under better terms.
- On 3 September 2018, Unión Fenosa Gas (UFG), the company that owns the Damietta plant in Egypt and is owned 50% by Naturgy, received an arbitration award in its favour from the International Centre for Settlement of Investment Disputes (ICSID), an agency of the World Bank, resolving the dispute presented in 2014; the arbitrators ruled against the Arab Republic of Egypt for failure to supply to UFG's liquefaction facilities in Damietta.
- On 11 September 2018, the Government of Victoria in Australia announced the award to GPG of a total of 180 MW of power generating capacity in a wind project located approximately 150 km from the city of Melbourne.
- In September 2018, the Dow Jones Sustainability Index (DJSI) ranked Naturgy as the world leader in the Gas Utilities sector for the second consecutive year; the company was also certified as world leader in the multiutilities segment by FTSE4GOOD.
- In September 2018, the women's leadership programmes "Take The Lead" and "*Hazte Visible*" granted Naturgy the Talent Mobility 2018 award.

### **October to December**

- In October 2018, the company was awarded the "Equality in employment" seal by Spain's Ministry of the Presidency, Relations with Parliament and Equality in recognition of the implementation of equal opportunity policies through comprehensive, measurable equality plans that produced concrete results.
- The Solidarity Fund for Energy Rehabilitation was launched in October 2018; the funds were allocated to energy refurbishment of dwellings selected by NGOs with which the company has cooperation agreements.
- On 19 October 2018, Naturgy completed a Euros 314 million bond tender.
- On 6 December 2018, Compañía General de Electricidad, S.A., a subsidiary of Naturgy Energy Group, S.A. in Chile, completed a bond issue for a total of 5 million Unidades de Fomento (UF), equivalent to approximately Euros 176 million.
- On 6 December 2018, Naturgy Energy Group S.A. resolved to conduct a share buyback programme in accordance with the announcement made in the Business Plan 2018-2022 that was presented on 28 June 2018; the shares may be retired if the Shareholders' Meeting to be held in the first half of 2019 so decides.
- On December 2018 Naturgy was awarded the EFR "Family-friendly enterprise" seal by *Fundación Más Familia* for its contribution to its employees' work-life balance.

## Financial performance (Euros million)

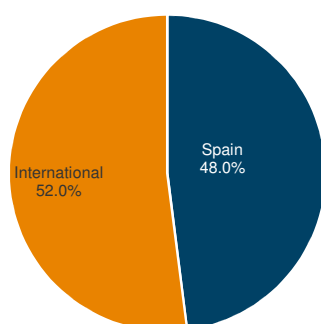
### Notes to financial information

- Naturgy's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. The attached annex includes a glossary of terms with the definition of the APMs.
- The consolidated income statement and operating figures for 2017 have been re-stated due to the discontinuation of the mining business in South Africa in application of IFRS 5.

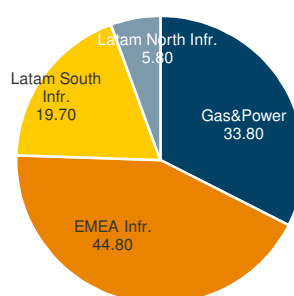
### Main financial aggregates

	2018	2017	%
Revenue	24,339	23,207	4.9
Ebitda	4,019	3,903	3.0
Income attributable to equity holders of the parent	(2,822)	1,360	-
Capex	2,321	1,782	30.2
Net financial debt (at 31/12)	13,667	15,154	(9.8)
Free Cash Flow after minorities	3,054	746	-

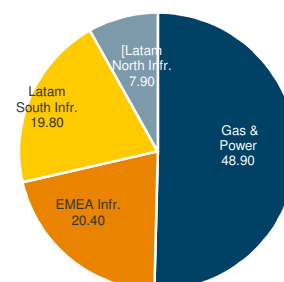
Ebitda by geography 2018 (%)



Ebitda by business 2018 (%)



Capital expenditure by business in 2018 (%)



### Main financial ratios

	2018	2017
Leverage	48.4%	45.3%
Ebitda / Net debt Cost	7.5x	6.4x
Net financial debt / Ebitda	3.4x	3.9x
Net financial debt / Ebitda (IFRS 16)	3.8x	4.2x

## Main stock market ratios and shareholder remuneration

	2018	2017
Total n° of shares ('000)	1.000.689	1.000.689
Average no. of shares ('000) <sup>1</sup>	998.966	1.000.478
Share price at 31/12 (Euros)	22,26	19,25
Market capitalisation at 31/12 (Euros million)	22.275	19.263
Earnings per share (Euros) <sup>1</sup>	(2,82)	1,36
Dividend paid	1.400	1.001

<sup>1</sup> Calculated considering the weighted average number of shares during the year

## 1.2. Operational performance

<b>Distribution</b>	2018	2017
Gas distribution (GWh)	449,259	460,014
Electricity distribution (GWh)	54,920	53,670
Gas distribution connections ('000)	10,605	10,491
Electricity connection points ('000)	7,569	7,447
Gas distribution network (km)	119,998	116,181
Length of electricity transmission and distribution network (km)	215,532	214,399

<b>Gas</b>	2018	2017
Gas supply (GWh)	237,379	237,945
LNG International (GWh)	140,669	122,086
<b>Total gas supply (GWh)</b>	<b>378,048</b>	<b>360,031</b>

<b>Electricity</b>	2018	2017
Installed capacity in Spain (MW)	12,479	12,716
Installed capacity in rest of world (MW)	3,093	2,732
<b>Total installed capacity (MW)</b>	<b>15,572</b>	<b>15,448</b>
Net production in Spain (GWh)	28,307	27,953
Net production in rest of world (GWh)	18,351	18,436
<b>Total net production (GWh)</b>	<b>46,658</b>	<b>46,389</b>

## 1.3. Environmental and social performance

<b>Environment</b>	2018	2017
Emission factor (t CO <sub>2</sub> /GWh)	342	388
GHG emissions (M tCO <sub>2</sub> e) <sup>1</sup>	18.3	20.5
Emissions-free installed capacity (%)	27.5	26.4
Emissions-free net production (%)	24.9	19.6

<b>Interest in people</b>	2018	2017
No. of employees <sup>2</sup>	12,700	14,718
Training hours per employee	49.9	38.4
Men/women (%)	69/31	71/29

<b>Health and safety</b>	2018	2017
No. of accidents leading to days lost	28	45
Frequency	1.0	1.3

<b>Commitment to society and integrity</b>	<b>2018</b>	<b>2017</b>
Economic value distributed (Euros million)	23,413	22,402
No. of notifications received by the Ethics Committee	199	141

<sup>1</sup> GHG: greenhouse gases, measured as tCO<sub>2</sub> equivalent (scope 1).

<sup>2</sup> Does not include the number of employees at discontinued operations (786 persons in 2018 and 2,053 persons in 2017)

## 2. Main risks and opportunities

### 2.1. Risks

Naturgy's risk management model seeks to ensure that the company's performance is predictable in all aspects that are of relevance to its stakeholders. This requires establishing the risk tolerance by setting limits for the main risk categories. In this way, the company can anticipate the consequences of certain risks and be perceived in the market as a sound, stable company, with all the benefits that entails.

Naturgy has a framework integrating the vision of governance, risks and compliance so as to provide a 360° view of the group's processes, existing controls and the associated risks.

#### Risk management bodies

Guaranteeing the predictability and sustainability of the company's operational and financial performance is a key aspects of risk management at Naturgy, and is supported by a number of bodies with clearly identified areas of responsibility.



#### Audit Committee

Supervises the company's internal control and risk management systems. Its function is to identify the various types of risk and the measures implemented to mitigate them, and to address them in the event that they materialise in the form of actual damage.

#### Risk Committee

Entrusted with determining and reviewing the company's target risk profile. It ensures that the risk profile is aligned with the company's strategic position and it also safeguards stakeholders' interests. It also exercises oversight to ensure that the entire organisation understands and accepts its responsibility for identifying, assessing and managing the main risks.

#### Risk Control Units

In charge of monitoring and reporting risks and ensuring that they fall within the limits defined in the target risk profile by the Risks Committee. Three units in particular stand out:

- **Risks and Insurance:** Identifies, monitors and tracks the Group's overall risk profile based on a definition of policies and metrics in coordination with the business units. Supports the Risk Committee in determining and monitoring the overall risk profile.
- **Gas & Power Risks:** Oversees and proposes measures to mitigate risks on the basis of Group policy, reducing volatility to achieve the target rate of return.

- Internal audit: Reviews and tracks the internal control system established by Senior Management and evaluates the operational risks linked to the processes. Supports the Audit Committee in its supervisory functions.

### Businesses

In charge of managing risk in all their areas of action. They identify trends and positions that may entail risk and report them to the Risk Units. They also apply the guidelines and criteria established by the Risk Units.

### Business, Corporate and Project units

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

### **Risk categories**

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

The system addresses basically three categories of risk:

- Market risk, understood as the uncertainty related to commodity prices, exchange rates and interest rates, which may impact the company's balance sheet, its procurement costs or its ability to raise funding in the capital markets. It is measured using two yardsticks: in the short term, focused on the income statement, and in the long term, focused on enterprise value, including the capacity to generate cash flow and its stability, variations in the funding structure, and volatility in the applicable discount rates.
- Credit risk, i.e. the risk to the financial solvency of the company's receivables. It also incorporates the short-term measurement of returns on placing cash surpluses with financial institutions, the aim being to select the most efficient portfolios.
- Operating risk, i.e. the possibility of financial losses as a result of failures in processes, internal systems or other factors. It enables risk to be measured objectively, which is decisive for raising awareness within the company and for improving management of exposure, all of which have an essential impact on the reinsurance market's perception of Naturgy's operational excellence.

### **2.1.2. Main risks**

<b>Risk type</b>	<b>Description</b>	<b>Management approach</b>	<b>Metric</b>	<b>Trend</b>	
<b>Market risks</b>					
Commodity prices	Gas	Volatility in the international markets that set gas prices.	Physical and financial hedges. Portfolio management	Stochastic	↑ Decoupling of long-term contracts from hub prices.
	Electricity	Volatility in the Spanish and Portuguese electricity markets	Physical and financial hedges. Optimisation of the power generating fleet.	Stochastic	↑ Penetration by renewables with zero marginal cost and intermittent production.
Volume	Gas	Mismatch between gas supply and demand.	Optimisation of contracts and assets worldwide.	Deterministic/ Stochastic	← → Aggregate demand pressure in Spain in a context of energy efficiency.

Risk type	Description	Management approach	Metric	Trend
Electricity	Reduction of the available thermal gap. Uncertainty about volume of hydroelectric output.	Optimisation of the balance between supply and generation.	Stochastic	↑ Aggregate demand pressure in Spain in a context of energy efficiency.
Regulatory	Exposure to regulatory review of the criteria and returns recognised for regulated activities.	Step up communications with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	↑ Different business units at different stages of maturity.
Exchange rate	Volatility in international currency markets.	Geographic diversification. Hedging via local-currency funding and derivatives. Monitoring the net position.	Stochastic	↔ Uncertainty about growth prospects in Latin America.
Interest rate and credit spread.	Volatility in funding rates.	Financial hedges. Diversification of funding sources.	Stochastic	↔ Uncertainty about the interest rate scenario.
Tax	Ambiguity or subjectivity in the interpretation of current tax regulations, or due to a material amendment of same.	Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Best Tax Practices. Recognition of provisions on a prudential basis.	Scenarios	↔ Different business units at different stages of maturity.
<b>Credit risk</b>				
Credit	Uncertainty about performance of bad debt ratios as a result of the economic cycle.	Analysis of customer solvency to define specific contractual conditions. Debt collection process.	Stochastic	↔ Pursues efficiency in debt collection.
<b>Operational risk</b>				
Operational: insurable risks	Accidents, damage and non-availability of Naturgy assets.	Continuous improvement plans. Optimisation of total cost of risk and of hedges.	Stochastic	↑ Growing tension in the insurance market in the face of natural catastrophes.
Operational: image and reputation	Impaired perception of Naturgy by stakeholders.	Identification and tracking of potential reputational events. Transparency.	Scenarios.	↔ Stabilisation of MERCO index score.
Operational: environment	Harm to the natural and/or social environment.	Emergency plans at facilities with risk of	Scenarios.	↓ Implementation of an Integrated Management System that is

Risk type	Description	Management approach	Metric	Trend
	Trend in environmental regulations.	environmental accident. Specific insurance policies. End-to-end environmental management.		audited and certified each year by AENOR.
Operational: climate change	Changes in environmental factors as a result of climate change. Regulation aimed at combating it.	Corporate positioning vis-à-vis climate change.	Stochastic/ Scenarios	↑ Uncertainty about policy developments to encourage energy efficiency.

#### Metrics used:

- **Stochastic:** production of trend lines for the main magnitudes, taking the maximum deviation from the benchmark scenario to be the risk, within a pre-set confidence interval. Those magnitudes are generally EBITDA, earnings after taxes, cash flow and value.
- **Scenarios:** analysis of the impact with respect to the benchmark scenario of a limited number of possible incidents.

Financial risks (interest rate, exchange rate, commodity prices, credit risk, liquidity risk) are discussed in Note 14 to the Naturgy Energy Group, S.A. Financial Statements.

## 2.2. Opportunities

Naturgy's main opportunities are as follows:

- **Renewable generation:** Increase renewable capacity internationally, given that renewable energies are cost-competitive and considering Naturgy's presence in growth markets.
- **Generation mix:** Naturgy's generating fleet, which is dominated by CCGTs, has the necessary flexibility to adapt to different market situations and is a valuable asset for seizing opportunities related to volatility in prices and demand volume in the gas and electricity markets.
- **Portfolio of natural gas and LNG procurements:** Management of gas pipelines, stakes in plants and the fleet of LNG carriers make it possible to meet the needs of the Group's various businesses in a flexible, diversified way by optimising for 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 regions, many of them 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 as a means of generating a reliable, sustainable energy supply.

### 3. Corporate governance

#### 3.1. Corporate Governance Model

Naturgy is governed in accordance with the principles of efficiency and transparency in line with the main recommendations and standards in this area, and it adopts advanced corporate governance practices for this purpose.

The corporate governance terms of reference comprise basically:

- Articles of Association (updated in 2018)
- Regulations of the Board of Directors and its committees (updated in 2018)
- Regulations of the General Meeting of Shareholders (updated in 2018)
- Human Rights Policy
- Code of Ethics (updated in 2015)

On 6 February 2018, following the resignation of Mr. Rafael Villaseca Marco as Managing Director of the company, the Board of Directors of Naturgy appointed Mr. Francisco Reynés Massanet as Executive Chairman. Additionally, Mr. Isidro Fainé Casas resigned as a director and was appointed Honorary Chairman of Naturgy.

On 22 February 2018, Repsol, S.A. reached an agreement to sell its 20.072% stake in the capital of Naturgy Energy Group, S.A. to Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC. The transaction was completed on 18 May 2018, with the result that Repsol, S.A. ceased to be a shareholder of the company.

Following that transactions, the main shareholders of Naturgy as of 31 December 2018 are as follows:

	Stake (%)	
	2018	2017
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	25.6	24.4
- Repsol, S.A.	-	20.1
- Global Infrastructure Partners III (2)	20.0	20.0
- Rioja Bidco Shareholdings, S.L.U. (3)	20.1	-
- Sonatrach	3.9	4.0

(1) A 20.4% direct holding through Criteria Caixa S.A.U. and 5.2% indirect (holding 5.0% through Energía Boreal 2018, S.A. and 0.2% through other).

(2) Global Infrastructure Partners III, which is managed by Global Infrastructure Management LLC, holds its stake indirectly via GIP III Canary 1, S.à.r.l.

(3) Controlled by funds advised by CVC.

Following the changes in ownership structure, on 27 June 2018 the Shareholders' Meeting approved the reduction in the number of members of the Board of Directors to 12. Additionally, the Executive Committee was eliminated and the number of members of the Audit Committee and of the Appointments and Remuneration Committee was set at 7 in both cases.

As a result of those changes, the following directors stepped down:

- Mr. Isidro Fainé Casas (Chairman), on 6 February 2018
- Mr. Rafael Villaseca Marco (Managing Director), on 6 February 2018
- Mr. Alejandro García-Bragado (proprietary director, representing Criteria), on 21 May 2018
- Mr. Josu Jon Imaz San Miguel (proprietary director, representing Repsol), on 6 March 2018
- Mr. Luis Suárez de Lezo Mantilla (proprietary director, representing Repsol), on 18 May 2018
- Mr. Iñigo Alonso de Noriega (proprietary director, representing Repsol), appointed on 6 March 2018 until 18 May 2018.
- Mr. Guillermo Llopis Garcia (proprietary director, representing Repsol), appointed on 6 March 2018 until 18 May 2018.



- Mr. Mario Armero Montes (proprietary director, representing GIP), on 27 June 2018.
- Theatre Directorship Services Beta, S.à.r.l., Mr. Juan Arbide Estensoro (proprietary director, representing CVC), appointed on 18 May 2018 until 27 June 2018.
- Ms. Cristina Garmendia Mendizabal (independent), until 27 June 2018.
- Ms. Benita María Ferrero-Waldner (independent), until 27 June 2018.
- Mr. Xavier Añoveros Trias de Bes (independent), until 27 June 2018.

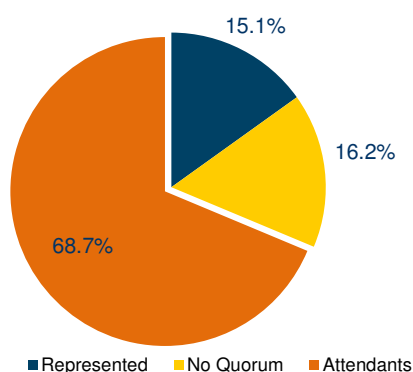
And the following new directors were appointed:

- Rioja Bidco Shareholdings, S.L.U., Mr. Javier de Jaime Guijarro (proprietary director, representing CVC), appointed on 18 May 2018.
- Theatre Directorship Services Beta, S.à.r.l., Mr. José Antonio Torre de Silva López de Letona (proprietary director, representing CVC), appointed on 18 May 2018.
- Mr. Pedro Sainz de Baranda (independent), appointed on 27 June 2018.
- Mr. Claudio Santiago Ponsa, appointed on 27 June 2018.

### 3.2. Shareholders' Meeting

Any person who is a shareholder of record five days before the Shareholders' Meeting is entitled to attend the Meeting.

Attendance at the 2018 Shareholders' Meeting (%): 83.8%



### 3.3. Board of Directors

The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the requirements of the Capital Companies Act. Accordingly, the Board of Directors of Naturgy has an Audit Committee and an Appointments and Remuneration Committee, whose functions are as set out in the Act.

Until 27 June 2018, the Board had an Executive Committee, which was responsible for deciding on the issues most closely related to operations over which the Board has competence. In the framework of the Action Plan implemented by the Board of Directors as a result of the self-assessment performed in 2017, the size of the Board of Directors and the existence of the Executive Committee were reconsidered in 2018. After the reduction of the number of members of the Board of Directors to 12, it was no longer considered necessary to maintain that Committee since the aforementioned number guarantees agility in the decision-making process.

In 2018, the Board of Directors undertook an in-depth debate on strategy which crystallised in the approval of the Business Plan 2018-2020.

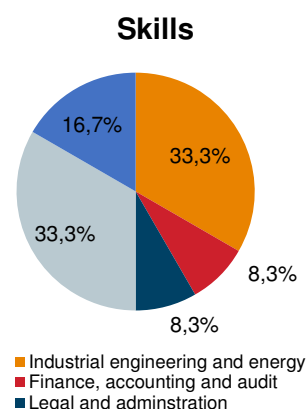
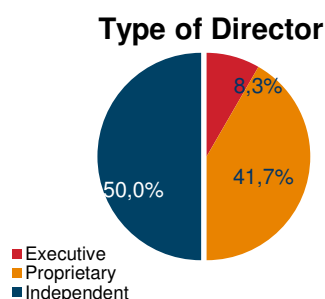
The other main issues that were considered are as follows:

- Monthly, six-monthly and annual oversight and review of business performance.
- Approval of the accounts, and other actions required by accounting and/or securities market regulations.
- Budgets, finance plan, capital expenditure plan and other actions related to activities planning and to financial discipline.
- Efficiency plan.
- Examination of the Company's main risks and its control systems.
- Actions in connection with corporate governance: in addition to the normal reports (annual corporate governance report, annual report on remuneration, etc.), as a result of a performance assessment of the Board of Directors and its committees this year a Corporate Governance Action Plan was drawn up and approved, in line with best practices in the area of corporate governance. This resulted in material changes in this area, such as a review to simplify all corporate regulations, reduce the number of directors, and eliminate the Executive Committee.
- Notice of the Shareholders' Meeting, including the proposal to appoint new directors and a dividend proposal.
- Corporate Social Responsibility and health and safety issues.

### Composition of the Board of Directors and its committees (at 31 December 2018)

Board of Directors		Audit Committee	Appointments and Remuneration Committee	Category of director	Seniority on Board
Executive Chairman	Mr. Francisco Reynés Massanet			Executive	6/02/2018
Lead director	Mr. Ramón Adell Ramón	Director	Chairman	Independent	18/06/2010
Director	Mr. Enrique Alcántara-García Irazoqui	Director		Independent	18/06/2010
Director	Mr. Marcelino Armenter Vidal		Director	Proprietary	21/09/2016
Director	Mr. Francisco Belil Creixell	Chairman	Director	Independent	14/05/2015
Director	Ms. Helena Herrero Starkie	Director		Independent	04/05/2016
Director	Mr. Rajaram Rao	Director		Proprietary	21/09/2016
Director	Rioja Bidco Shareholdings, S.L.U., Mr. Javier de Jaime Gujjarro		Director	Proprietary	18/05/2018
Director	Mr. Pedro Sainz de Baranda	Director	Director	Independent	27/06/2018
Director	Mr. Claudio Santiago Ponsa		Director	Independent	27/06/2018
Director	Theatre Directorship Services Beta, S.à.r.l., Mr. José Antonio Torre de Silva	Director		Proprietary	18/05/2018
Director	López de Letona				
Director	Mr. William Alan Woodburn		Director	Proprietary	30/09/2016
Secretary (not a director)	Mr. Manuel García Cobaleda	Secretary (not a director)	Secretary (not a director)	N/A	29/10/2010

### Board of Directors profile (%)



## Board of Directors activities and performance

Number of meetings of the Board of Directors and its committees

	<b>Board of Directors</b>	<b>Executive Committee</b>	<b>Audit Committee</b>	<b>Appointments and Remuneration Committee</b>
<b>2018</b>	14	2	7	11
<b>2017</b>	15	3	10	5

### **3.4. Management structure**

Following the appointment of Mr. Francisco Reynés Massanet as Executive Chairman on 6 February, the group's organisation structure was redesigned, including the elimination of the Executive Committee.

A new and simplified organisational structure was defined comprising four business units (Gas and Power, Infrastructure EMEA, Infrastructure South Latin America (LatAm) and Infrastructure North LatAm) and a leaner corporate structure was adopted, the goal being for the businesses to operate autonomously with full responsibility for their bottom line, leaving corporate functions to focus on value-added processes and on ensuring centralised control.

Senior Management is defined as meaning the executives who report directly to the Executive Chairman, Mr. Francisco Reynés Massanet. As of 31 December 2018, it comprised the following executives:

#### **Business Units**

Mr. Manuel Fernández Álvarez: Gas and Power  
Ms. Rosa María Sanz García: Infrastructure EMEA  
Mr. Antonio Gallart Gabás: Infrastructure South LatAm  
Mr. José García Sanleandro: Infrastructure North LatAm

#### **Corporate Units**

Mr. Carlos J. Álvarez Fernández: CFO  
Mr. Antonio Basolas Tena: Strategy & Development  
Mr. Manuel García Cobaleda: Company Secretary and Secretary of the Board of Directors  
Mr. Jordi García Tabernero: Communication and Institutional Relations  
Mr. Antoni Peris Mingot: Resources  
Mr. Jon Ganuza Fernández de Arroyabe: Control  
Mr. Steven Fernández Fernández: Capital Markets

#### **Projects**

Mr. José M<sup>a</sup> Egea Krauel: PIPE project  
Mr. Miguel Aller: LEAN project

### 3.5. Remuneration policy

#### Board of Directors

The annual report on director remuneration was presented as a separate item for a consultative vote at the Shareholders' Meeting in 2018.

Directors' remuneration for their membership of the Board and its committees consists solely of fixed amounts determined on the basis of the positions they hold.

The remuneration system was amended in 2018:

- On 6 February 2018, the Board of Directors adopted a material change in the Company's management and administration structure by approving the appointment of a new Executive Chairman and the resignation of the former Chairman and CEO, with the result that the contractual relationship with the previous CEO was terminated on 6 February.
- As part of the process of simplifying corporate governance, the Shareholders' Meeting on 27 June 2018 decided to reduce the size of the Board to 12 members and to abolish the Executive Committee, which resulted in a redistribution and overall reduction of the directors' remuneration for performing non-executive functions.
- In accordance with the provisions of article 9 of the Bylaws and in the framework of the approval of the Business Plan by the Board of Directors on 27 June 2018, the Board resolved, at a meeting on 31 July, to replace the pre-existing multi-year variable remuneration system with a long-term incentive which, since it requires the approval of the Shareholders' Meeting, is subject to the condition precedent that it be authorised by the 2019 Shareholders' Meeting.

These decisions were adopted by the Board of Directors following recommendations in this connection by the Appointments and Remuneration Committee; external legal advice was obtained for the implementation of the new long-term incentive plan and its submission to the Shareholders' Meeting.

Remuneration for membership of the Board of Directors and its committees (€/year):

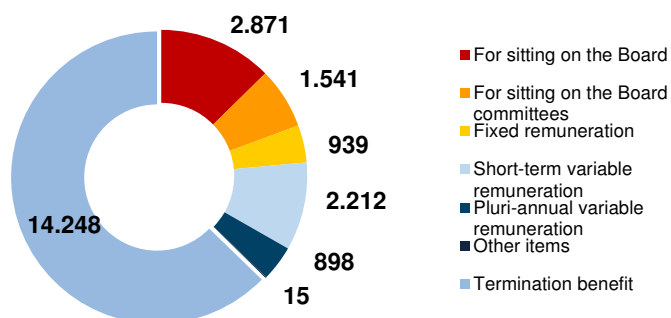
	<b>From 27 June 2018</b>	<b>Up to 27 June 2018</b>
Chairman of the Board of Directors	1,100,000	550,000
Director	175,000	126,500
Lead director	30,000	30,000
Committee chairman	90,000	-
Committee member	60,000	-
Chairman of the Executive Committee	Not applicable	550,000
Member of the Executive Committee	-	126,500
Member of the Appointments and Remuneration Committee	-	25,000
Member of the Audit Committee	-	40,000

Following those changes, the remuneration policy for the Executive Chairman, in respect of his executive functions, is based on the following:

Item	Objective	Criteria
Fixed remuneration annual basis	Remunerate the level of responsibility attached to these functions.	Ensure that the remuneration is competitive <i>vis-à-vis</i> comparable companies.
Annual variable remuneration	Link remuneration with the company's performance in the short term.	Based on 100% of the total fixed annual remuneration, multiplied by the degree to which the goals were actually achieved in the year. Achievement is capped at 150%. No remuneration is payable if goal achievement is less than 80%.
The goals and weightings are expected to be established by the Board of Directors at a meeting on 5 March 2019.		
Long-term incentive plan	Strengthen the commitment to achieving the goals set out in the strategic plans.	Related to the return obtained by shareholders in the period of reference, which coincides substantially with that of the Business Plan 2018-2022.
Other items	Safeguard the company's benefits.	Health, life insurance and disability. Energy rebate, company vehicle.

The remuneration is supplemented by pension plans and a group health insurance policy.

#### Total remuneration earned by the Board of Directors in 2018, by type (Euros '000):



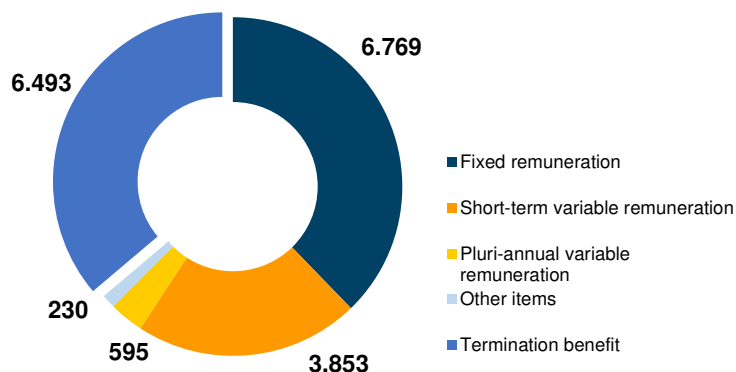
**Total remuneration:** 22,724 thousand euros

#### Senior Management

The general remuneration policy for Senior Management is determined by the Board of Directors on the basis of a proposal by the Appointments and Remuneration Committee.

The remuneration model contains the same components as above for the Executive Chairman's executive functions.

## Total remuneration earned by the Management Committee and head of Internal Audit<sup>1</sup> in 2018, by type (Euros '000)



**Total remuneration:** 17,940 thousand euros

<sup>1</sup> In accordance with CNMV Circular 5/2013, for the purposes of remuneration, senior management includes executives who report directly to the company's chief executive and also the head of internal audit.

## 4. Forecast Group performance

### 4.1. Foundations of strategy

The new Business Plan 2018-2022, unveiled in London on 28 June 2018, establishes the group's business model, which is focused on value creation.

Naturgy is focused on responding to its own industrial model, based on:

- Treating the energy transition as an opportunity.
- Being a flexible, competitive company.
- Transforming via digitalisation.
- Placing the customer at the centre of the model.

### Treating the energy transition as an opportunity

Naturgy believes that natural gas and renewable energies will play a very important role in the transition to energies that produce lower CO<sub>2</sub> emissions, as needed to meet the targets set in the 2015 Paris Agreement on climate change.

As a result, the following lines of action have been established:

- triple renewable installed capacity by 2022
- leverage Naturgy's lead in combined cycle plants and in the global LNG market
- develop the use of natural gas in transportation
- develop renewable gas.

Moreover, Naturgy's infrastructure assets will play a vital role over the next few years in the process of electrification and improvement of energy efficiency, supporting greater electrification and greater penetration by gas in countries where the company already operates.

## **Being a flexible, competitive company**

Solid, tangible levers have been defined for achieving the efficiency goals set out in the Business Plan:

- Organisation: the businesses will be autonomous units with full responsibility for their results, while seeking to optimise company personnel. To this end, a number of changes have been implemented at the organisational level in both corporate governance and the organisational structure in order to facilitate decision-making and the business units' autonomy and responsibility, while always guaranteeing control by the parent company.
- Process re-engineering: reviewing service contracts with suppliers, establishing new cooperation relations with suppliers where necessary to achieve automation or outsource non-core tasks.
- Asset management: search for best practices to optimise asset maintenance based on predictive models and centres of excellence.

Naturgy presented an efficiency plan and undertook to cut annual operating expenses by Euros500 million by 2022.

## **Transforming via digitalisation**

The following key levers for digitalisation have been defined for 2022:

- Customer relations: 75% of services to be provided via digital channels and 20% penetration via Internet of Things (IoT).
- Processes and operations: Over 80% automation of internal processes and operations.
- Remote control of assets: Achieve 80% coverage of assets with sensors and remote control by 2022, from 56% in 2017.
- Advanced analysis techniques: Data-driven management to be implemented in over 90% of processes Group-wide. The main projects to be undertaken in this connection will be in the following areas: develop predictive models for asset maintenance; use models to pursue customer segmentation, predict churn and apply advanced pricing approaches.

These projects will drive the Group's transformation via digitalisation.

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

Enhance our commitment to the customer by placing them at the centre of Naturgy's strategy based on:

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

Key factors in this connection are technological innovation such as smart apps, smart meters, remote control, autoproduction of electricity, energy storage, etc.

## **4.2. Value creation**

The main objective of the new Business Plan 2018-2022 is to guide the company towards value creation and lay the foundations for the Group's new industrial model. Naturgy's commitment to value creation is underpinned by four basic pillars: simplicity and accountability, optimisation, discipline in investment, and shareholder remuneration.

## Simplicity and Accountability

### 1. Corporate governance and organisation structure

In terms of corporate governance, a major change was the reduction in the number of members in the Board of Directors from 17 to 12 (the executive chairman, six proprietary directors and five independents). Internal governance rules will also be simplified to achieve a more efficient structure and to make decision-making more agile.

The organisation structure has been simplified into four business units (Gas and Power, Infrastructure EMEA, Infrastructure South LatAm and Infrastructure North LatAm), with leaner corporate functions in order to ensure that the businesses operate autonomously and with full responsibility for their results, enabling the parent company to focus on value-added processes and on ensuring centralised oversight.

A new Opex & Capex Committee was created with the task of ensuring the execution of the company's efficiency plan and for fulfilling the discipline in capital expenditure envisaged in the Business Plan.

With these changes, Naturgy has simplified its corporate governance to streamline decision-making and redesigned its organisational structure to attribute greater autonomy and responsibility to the individual businesses.

### 2. Strategic positioning

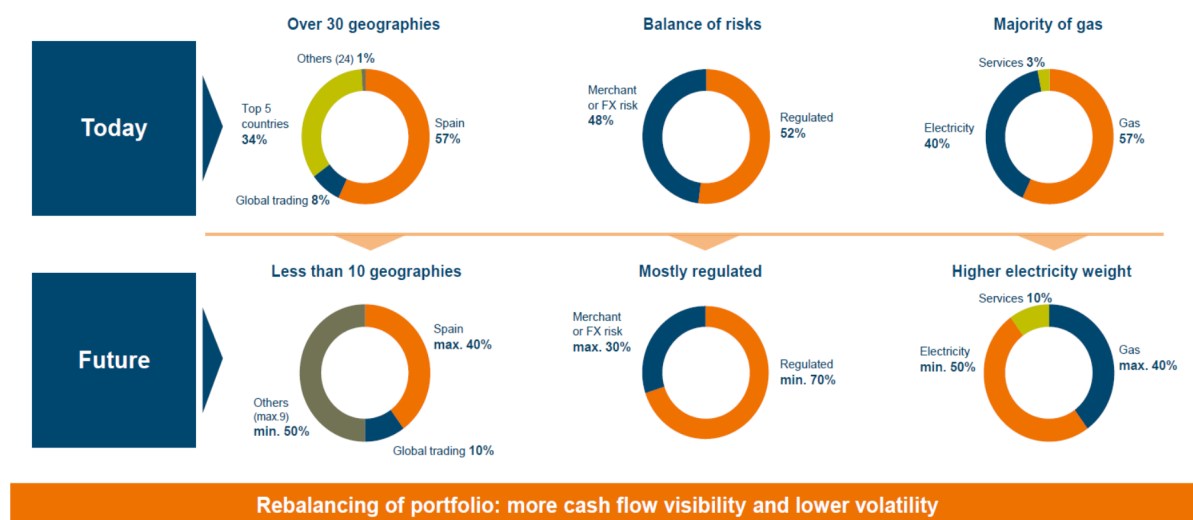
Naturgy defines its strategic positioning on the basis of the following criteria:

	Where to invest	Where to divest
Markets	<ul style="list-style-type: none"><li>- Big markets with strong growth potential.</li><li>- Where Naturgy has a significant market share or critical mass.</li><li>- That offer legal certainty.</li><li>- Stable macroeconomic environments (e.g. the EU, North America, OECD).</li></ul>	<ul style="list-style-type: none"><li>- Markets that are small and/or offer little growth potential.</li><li>- High regulatory risk.</li><li>- Highly concentrated.</li><li>- Volatile macroeconomic environments.</li></ul>
Businesses	<ul style="list-style-type: none"><li>- Electricity or gas grids.</li><li>- Sale of electricity under contract.</li><li>- Customer services.</li><li>- Controlling stakes.</li></ul>	<ul style="list-style-type: none"><li>- Low level of integration or synergy with the rest of the Group.</li><li>- Unhedged volatility.</li><li>- Non-controlling stakes.</li></ul>
Profitability	<ul style="list-style-type: none"><li>- Above hurdle rate.</li></ul>	<ul style="list-style-type: none"><li>- Out of hurdle rate.</li></ul>

A total of Euros 5.3 billion of expenditure in growth capex have been identified, and Euros 300 million are expected to be realised through divestments in addition to those already performed.

Naturgy will also work to balance the weight of its businesses in its mix of activities and will be more ambitious to increase the contribution by regulated activities and by electricity. In the future, the company expects that at least 70% of its business will be linked to regulated activities (currently 52%), with half related to electricity (currently 40%). It also expects to increase exposure to services to about 10%, reinforcing its commitment to the customer.





Additionally, on the basis of developments in the markets where it operates and in line with the assumptions and foundations of the new Business Plan, Naturgy reviewed the value of its assets, which resulted in a one-time impairment in the amount of Euros 4,851 million before taxes, booked in 2018. This impairment had no impact on shareholder remuneration and it will be accretive from 2019 because of the lower depreciation charge.

### Optimisation

Financial strategy will focus on reducing Opex, optimising Capex and applying strict discipline in investments, pursuing organic development.

Under the Business Plan 2018-2022, the company will continue to optimise the businesses with additional efficiency measures, with the commitment to cut annual operating expenses by Euros 500 million in 2022. These efficiencies will be focused on an analysis of the company's non-core activities and on the assignment of the operational functions within each of the business units, all supported by the ongoing digitalisation processes.

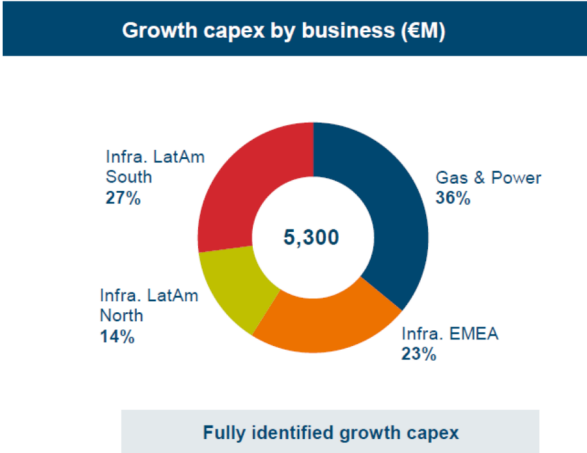
Naturgy plans to cut group-level capex by Euros 200 million per year with respect to the average in 2015-2017, while increasing the percentage of investment allocated to organic growth in comparison with previous years. In average terms, the goal is for 63% of capital expenditure to be allocated to growth in 2018-2022 vs. an average of 54% in 2015-2017.

### Disciplined investment

Four golden rules were defined to ensure value creation and profitable growth in both organic and inorganic investments:

1. Establishment of a hurdle rate of return, setting minimum profitability targets for businesses, activities and countries so as to ensure value creation.
2. A clear positioning focused on target markets and businesses.
3. Industrial leadership via controlled subsidiaries.
4. Risk management, minimising the volatility of commodity prices and exchange rates.

Applying these rules, Naturgy plans to invest Euros 8.4 billion over the next five years, of which Euros 5.3 billion will be allocated to growth, increasing the proportion of growth capex to 63% of the total in the period:



Financial discipline will enhance free cash flow so as to sustain attractive shareholder remuneration.

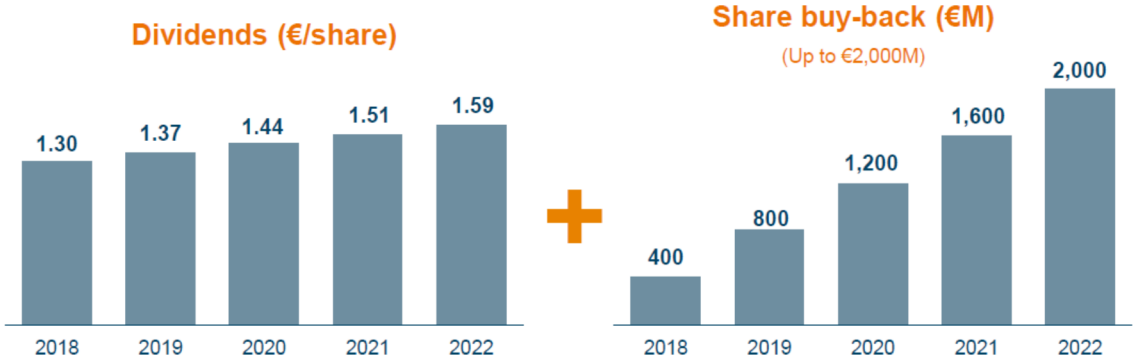
**Shareholder remuneration**

The company will increase the dividend charged to 2018 earnings by 30% to Euros 1.30 per share.

Under the Business Plan 2018-2022, Naturgy made a commitment to its shareholders to increase the cash dividend by at least 5% per year until the end of the period and to pay dividends in three instalments:

1. at the end of the first half of the year (20% of the total dividend)
2. at the end of the third quarter (35%)
3. after the Shareholders' Meeting (the remaining 45%)

To reinforce the new shareholder remuneration policy, in the event that the company cannot find inorganic investments that meet the hurdle rate, it can allocate a maximum of Euros 2 billion to buying back own shares, capped at Euros 400 million per year.







### 4.3. Individual business prospects

Naturgy's key financial targets for 2022 are as follows:

#### Key financial targets for 2022

<b>EBITDA</b> 2017: 3,915	~5,000	<b>Annual avg. FCF</b> 2017: ~1,300	~1,800
<b>Net income</b> 2017: 1,360	~1,800	<b>Net debt</b> 2017: ~16,400	~16,400

The business goals set in the Business Plan are summarised below:

	 Gas & Power	 Infra. EMEA	 Infra. LatAm South	 Infra. LatAm North
Asset base 2018	~9,200	~9,800	~7,300	~1,500
EBITDA 2022	~1,700	~1,600	~1,200	~400
Total capex 18-22	~2,700	~2,300	~2,300	~1,000

The growth prospects for the individual businesses, as defined in the Business Plan 2018-2022, are as follows:

#### Gas & Power

The Business Plan 2018-2022 targets EBITDA of Euros 1.7 billion per year, with capex amounting to Euros 2.7 billion in the period 2018-2022. This will be driven by organic growth and higher efficiency in exploiting assets. The goals and opportunities defined for each of the units in this business are as follows:

	Opportunities	Goals (EurosM)
<b>Gas, power and services sales</b>	<ul style="list-style-type: none"> <li>– Define a new integrated commercial model</li> <li>– Maximise value by focusing on customers.</li> <li>– Exploit the strong growth potential of the services and solutions business.</li> </ul>	EBITDA 2022 = 549 Capex 18-22 = 452 74% growth capex
<b>International LNG</b>	<ul style="list-style-type: none"> <li>– Diversified, flexible portfolio of procurement contracts.</li> <li>– Sales secured under contract with end customers.</li> <li>– Entry into attractive new markets, such as the Floating Storage Regasification Unit (FSRU), small-scale solutions and bunkering.</li> </ul>	EBITDA 2022 = 422 Capex 18-22 = 392 100% growth capex
<b>European Power Generation</b>	<ul style="list-style-type: none"> <li>– Double the volume of renewable energy while cutting total costs.</li> <li>– Increase CCGT load factor.</li> <li>– Adjust cost of conventional generating fleet.</li> </ul>	EBITDA 2022 = 507 Capex 18-22 = 1.296 64% Growth capex
<b>International generation</b>	<ul style="list-style-type: none"> <li>– Expand in renewables.</li> <li>– Generate recurring cash flow.</li> </ul>	EBITDA 2022 = 270 Capex 18-22 = 568 68% growth capex

## Infrastructure EMEA

The EBITDA target for this business is around Euros 1,645 billion, with capex in the period 2018-2022 totalling about Euros 2,310 billion. The goals and opportunities defined for each of the units in this business are as follows:

	Opportunities
<b>Spain gas networks</b>	<ul style="list-style-type: none"> <li>– Pursue organic growth by exploiting the scope for expanding gas penetration.</li> <li>– Limit the business's regulatory risk.</li> <li>– Increase efficiency via digital transformation.</li> </ul>
<b>Spain electricity networks</b>	<ul style="list-style-type: none"> <li>– Work towards a more flexible, digitalised distribution system.</li> <li>– Future capex to offset regulatory risks.</li> <li>– Pursue efficiency via digitalisation.</li> </ul>
<b>EMPL</b>	<ul style="list-style-type: none"> <li>– Revenues guaranteed until the concession expires (2021).</li> <li>– Negotiations advancing to renew Maghreb-Europe gas pipeline concession.</li> </ul>

## Infrastructure South LatAm

The EBITDA target for this business is around Euros 1.2 billion, with total capex of about Euros 2.3 billion in the period 2018-2022. The goals and opportunities defined for each of the units in this business are as follows:

	Opportunities	Goals (EurosM)
<b>Chile Electricity</b>	<ul style="list-style-type: none"> <li>- Distribution: the regulatory model is expected to improve in 2020 to capture updates in technology and service quality.</li> <li>- Transmission: improvements expected due to grid upgrades and new regulations to address the bottleneck produced by the growth of renewable energy.</li> </ul>	EBITDA 2022 = 436 Capex 18-22 = 1,105 60% growth capex
<b>Chile Gas</b>	<ul style="list-style-type: none"> <li>- Organic growth via greater penetration and higher demand for heating.</li> <li>- Drive gas exchanges between Argentina and Chile via existing pipelines.</li> </ul>	EBITDA 2022 = 245 Capex 18-22 = 497 85% growth capex
<b>Brazil Gas</b>	<ul style="list-style-type: none"> <li>- Organic growth through increasing penetration in the gas market as well as seeking new concessions.</li> <li>- Leverage the huge growth potential of the services business.</li> </ul>	EBITDA 2022 = 322 Capex 18-22 = 399 57% growth capex
<b>Argentina Gas</b>	<ul style="list-style-type: none"> <li>- Organic growth underpinned by grid upgrades and implementation of new networks, expanding the grid in the territory.</li> <li>- Leverage the huge growth potential of the services business.</li> </ul>	EBITDA 2022 = 159 Capex 18-22 = 323 41% growth capex

## Infrastructure LatAm North

The EBITDA target for this business is around Euros 400 million, with capex totalling about Euros 1 billion in the period 2018-2022. The goals and opportunities defined for each of the units in this business are as follows:

	Opportunities	Goals (EurosM)
<b>Mexico Gas</b>	<ul style="list-style-type: none"> <li>- Organic growth through greater penetration in the gas market and new concessions</li> <li>- Strong growth potential in services via new customers and the existing customer base.</li> </ul>	EBITDA 2022 = 247 Capex 18-22 = 616 22% growth capex
<b>Panama Electricity</b>	<ul style="list-style-type: none"> <li>- Strong growth is projected against a backdrop of moderate risk to the country's economy, with remuneration stable in USD.</li> <li>- The tariff review for 2019-2022 is expected to be positive.</li> <li>- Significant improvement in operational efficiency and lower power losses.</li> <li>- Capture competitive advantages in services and solutions.</li> </ul>	EBITDA 2022 = 146 Capex 18-22 = 341 30% growth capex

#### **4.4. Financial strategy**

To support the business strategy, the finance strategy targets net debt at end-2022 at the same level as end-2017 (Euros 16.4 billion, per IFRS 16) as strong cash flow will make it possible to distribute dividends (Euros 6.9 billion) and allocate Euros 2 billion to share buybacks or inorganic growth opportunities.

Finance policy will focus on maintaining the rating and leverage while managing the debt structure to make it more effective. The debt structure will be diversified, prioritising access to capital markets and institutional funds, with at least 70% of debt at fixed cost while seeking "natural" hedges by ensuring that subsidiaries are funded in the currency in which they generate cash flows.

Each business unit will be provided with the necessary liquidity and the necessary level of indebtedness to operate autonomously.

#### **5. Sustainable innovation**

Naturgy views innovation as the function that enables it to guide and drive the necessary developments, access them and apply them effectively in pursuit of its objectives. It recognises that properly orienting, implementing and applying strategic innovation are vital to obtaining competitive advantages in the markets and achieving sustainable development of its activity.

Consequently, the company applies an innovation model that is aligned with the businesses and contributes to the objectives of the Strategic Plan, it monitors developments outside the plan and anticipates disruptions in the energy model that may change the rules of the game. It does this through a solid culture of innovation, with open collaboration initiatives, intrapreneurship programmes and other tools to promote innovation.

##### **Innovation vision**

The company's innovation function continues to be based on 5 major building blocks:

- Social Innovation, working to mitigate situations of energy vulnerability since 2014 through preventative measures, agreements with local and regional governments, and awareness-raising activities, including participation in forums and round tables on poverty. As part of the Vulnerability Plan, a number of measures were stepped up in 2018: the Solidarity Fund for Energy Rehabilitation and the Social Employment Program.
- Innovation in Marketing. This area includes all the company's efforts to get to know its customers' actual specific needs, and to ensure that they have access to cutting-edge products that make their everyday lives easier. A major ongoing initiative is the CeX (Customer Experience) project, under which the company is applying a new methodology that is primarily customer-centric. The principal project in 2018 was the Clear Communication Project, the goal being to convey relevant information to customers in a clear and simple form.
- Innovation in Organisation. This area refers to actions aimed at meeting emerging needs with respect to new business models, resulting in a new work organisation and steps to minimise risks and increase quality and safety within the organisation's practices.
- Product Innovation. The FutureSisens Project provides smart flow monitoring in renewable gas plants. In particular, the project aims to develop flow sensors that are energy-autonomous or use very little energy and are capable of measuring flows in natural gas distribution networks (medium and low pressure).
- Process Innovation. A notable project in this area was the optimisation of the hydroelectric generating fleet by applying machine learning in combination with traditional optimisation approaches, as well as cloud computing solutions, in models for operating the hydroelectric generation fleet in the electricity market. The goal is to achieve more advanced analytical models in an AWS environment that allow for growth in revenues by detecting and seizing new market opportunities within a process of continuous improvement.

In 2018, a total of Euros 63 million were spent on innovation (Euros 99 million in 2017), as indicated below:

#### Investment in innovation (million euro)

(million euro)	2018	2017
Investment in innovation	63	99

#### Innovation Plan

The innovation plan is structured through four strategic innovation areas: Energy Transition, Digitalisation, Customer-Centric and New business models, within which the following priorities were defined:

##### Sustainable mobility

Naturgy identifies sustainable mobility as a key component of strategic innovation within its positioning in environmentally friendly energies. As a leading energy company, it will play a fundamental role in the process of transforming mobility models, where renewable natural gas and electricity are the main vectors.

In 2018, we have developed the COFAST project, which consists of a new standardised integrated solution for fast charging stations for electric vehicles. The electricity for the charging stations will be supplied by small-scale natural gas-fired cogeneration plants.

##### Smart Client

In the Smart Client area, Naturgy is committed to the digital transformation of its customers as the key to achieving the objective of evolving our energy model towards a more efficient, decarbonised and decentralised one in which the concept of consumer will evolve towards a more active role in which their participation makes it possible to achieve those goals. The new active consumer will focus on three axes: distributed generation and autoproducer solutions, digital solutions and IoT products, and data analytics, making it possible to enhance customer segmentation and get to know customers better in order to offer them personalised recommendations, products and services, and also to optimise asset efficiency and operations. One of the most notable projects in 2018 was GrowSmarter, an IoT solution for residential customers, and a pilot test of a number of photovoltaic and energy storage solutions for residential and tertiary customers has begun.

In the area of Energy Efficiency Solutions, activities focused on the development of new integrated energy solutions, based on high-efficiency renewable technologies, that can be designed and operated optimally (in both energy and monetary terms) for the development of Near-Zero Energy Buildings. One of the projects in 2018 was ReUseHeat, which aims to demonstrate heat recovery technologies in urban environments; Naturgy implemented a pilot project at a hospital in Madrid.

##### Distributed generation and autoproduction

The purpose of the distributed generation and autoproduction line in 2018 was to create tools and resources to support the development of products based on photovoltaic generation and batteries for end customers, as well as projects such as GrowSmarter. Apart from technological developments in the field of photovoltaics and batteries, Naturgy's main contribution in this connection is its vision of the customer, which is a key element when designing control systems that maximise the value to be extracted from these solutions.

Accordingly, it continues to pilot-test commercial solutions in the Autoproduction Laboratory. The goal is to provide the business with technical and economic information about new products that are available in the market. To this end, a cost/benefit analysis methodology has been developed that uses simulation tools developed in-house, such as GENPER and OBAMA, as well as laboratory tests to measure the benefits for specific customer categories. In cooperation with manufacturers and the IREC technology centre, the laboratory also developed an energy manager for Naturgy to optimise battery usage that is compatible with a number of commercial solutions.

## Renewables and storage

Naturgy is committed to a balanced energy mix in the group's assets, in which emission-free technologies account for a growing share of its total installed capacity. Innovation in this area focuses on three main lines of action:

- Storage solutions, which facilitate greater grid integration of intermittent renewable electricity, oriented towards further enhancing the quality and reliability of the supply.
- Advanced management of generation facilities (wind, hydroelectric, solar): with initiatives for smart monitoring of assets, application of new technologies for environmental oversight and security, better communication and remote monitoring systems, predictive tools, etc.
- Evaluation of new renewable generation technologies: marine, offshore wind, geothermal, gas-renewable hybridisation, etc.

One of the projects implemented in 2018 was the continuation of activities at the PV Photovoltaic Solar Laboratory in Durango (Mexico), where photovoltaic modules, structures and associated equipment are pilot-tested in order to analyse, monitor and optimise key operational parameters and indicators.

## Renewable Gas and Liquefied Natural Gas

As part of Naturgy's commitment to evolve towards a low carbon economy, the company has been working for several years to promote renewable gas by participating in a number of projects, both in Spain and elsewhere in Europe, whose objective is to obtain renewable natural gas from renewable resources, and apply processes to obtain gas of a sufficient quality for injection into the natural gas grid so that it can be used for industrial, mobility, residential and power generation applications. Implementing these innovation projects makes it possible to study how the available technologies work, identify their advantages, and develop new technologies so as to optimise and reduce their production costs.

The company also continues to pursue innovation projects in the area of Liquefied Natural Gas (LNG), with a focus on three lines of action: optimisation of the LNG logistics chain (small scale), development of LNG as a cleaner, more efficient fuel for transport (bunkering), and development of LNG metering.

Some of the principal projects in this area are the Renewable Gas Unit, a joint project of Naturgy and EnergyLab in cooperation with the Bens waste water treatment plant, which has resulted in the commissioning of a biogas upgrading plant located at the WWTP, in order to produce biomethane; and Life Methamorphosis, in which the company developed and implemented the Methagro business line to produce high quality biomethane from agro-industrial waste and other organic waste materials.

## Advanced asset management

The goal of this innovation effort is to maximise asset performance using advanced data analysis and new operational strategies in order to:

- Increase asset efficiency, reliability and flexibility.
- Identify new strategies for the optimised asset exploitation.
- Optimise maintenance in the field.

Using new technologies to not only avoid assets' obsolescence but also incorporate new elements that enhance their competitiveness and capacity to generate value in a highly complex environment.

During 2018, the GALA project focused on advanced control of overhead power lines (high voltage and medium voltage) in order to optimise and improve the periodic examinations required by regulation and establish an optimised felling and pruning plan for 2020.



**6. Non-financial statement**

This Non-financial statement information was drawn up in line with the requirements of Act 11/2018, of 28 December, on non-financial disclosures and diversity, approved by the Spanish Congress on 13 December 2018, which amends the Commercial Code, the consolidated text of the Capital Companies Act approved by Legislative Royal Decree 1/2010, of 2 July, and Act 22/2015, of 20 July, on Auditing, in connection with non-financial disclosures and diversity (from Royal Decree-Act 18/2017, of 24 November).

It was drafted on the basis of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI), which also serve as a reference for drafting the Corporate Responsibility Report that is published each year and which, this year, complements and elaborates upon these non-financial disclosures.

In this context, through the non-financial disclosures, Naturgy seeks to provide information on environmental, social, personnel human rights issues that are germane to the company in the pursuit of its business activities.

The content of this report was selected and drafted on the basis of the outcome of the materiality analysis carried out at the beginning of 2018 (See Annex III, About this Report).

For each question set out in the Act, the materiality for the company, the policies and risks associated with each one, and the benchmark indicator used for monitoring and evaluating it are set out below.

**6.1. Business model and value creation**

**6.1.1. Business model**

Naturgy is an integrated energy group supplying gas and electricity to almost 18 million customers. It focuses on the gas distribution and supply and on generating, distributing and supplying electricity. It also operates other business lines, such as energy services, which enhance the diversification of activities and revenues, staying at the forefront of new market trends, meeting customers' specific needs and offering them an integrated service not confined to selling energy.

Naturgy's mission is:

<b>To meet the needs of...</b>	<b>With vision...</b>	<b>Based on our values</b>
Our shareholders	Offering increasing sustainable profitability	<ul style="list-style-type: none"> <li>&gt; Commitment to results</li> <li>&gt; Customer-oriented</li> <li>&gt; Sustainability</li> <li>&gt; Interest in people</li> <li>&gt; Social responsibility</li> <li>&gt; Integrity</li> </ul>
Our customers	Being leaders in continuous growth and with a multinational presence, offering high-quality products that respect the environment	
Our employees	Offering opportunities for professional and personal development	
Society	Contributing positively through a commitment to global citizenship	

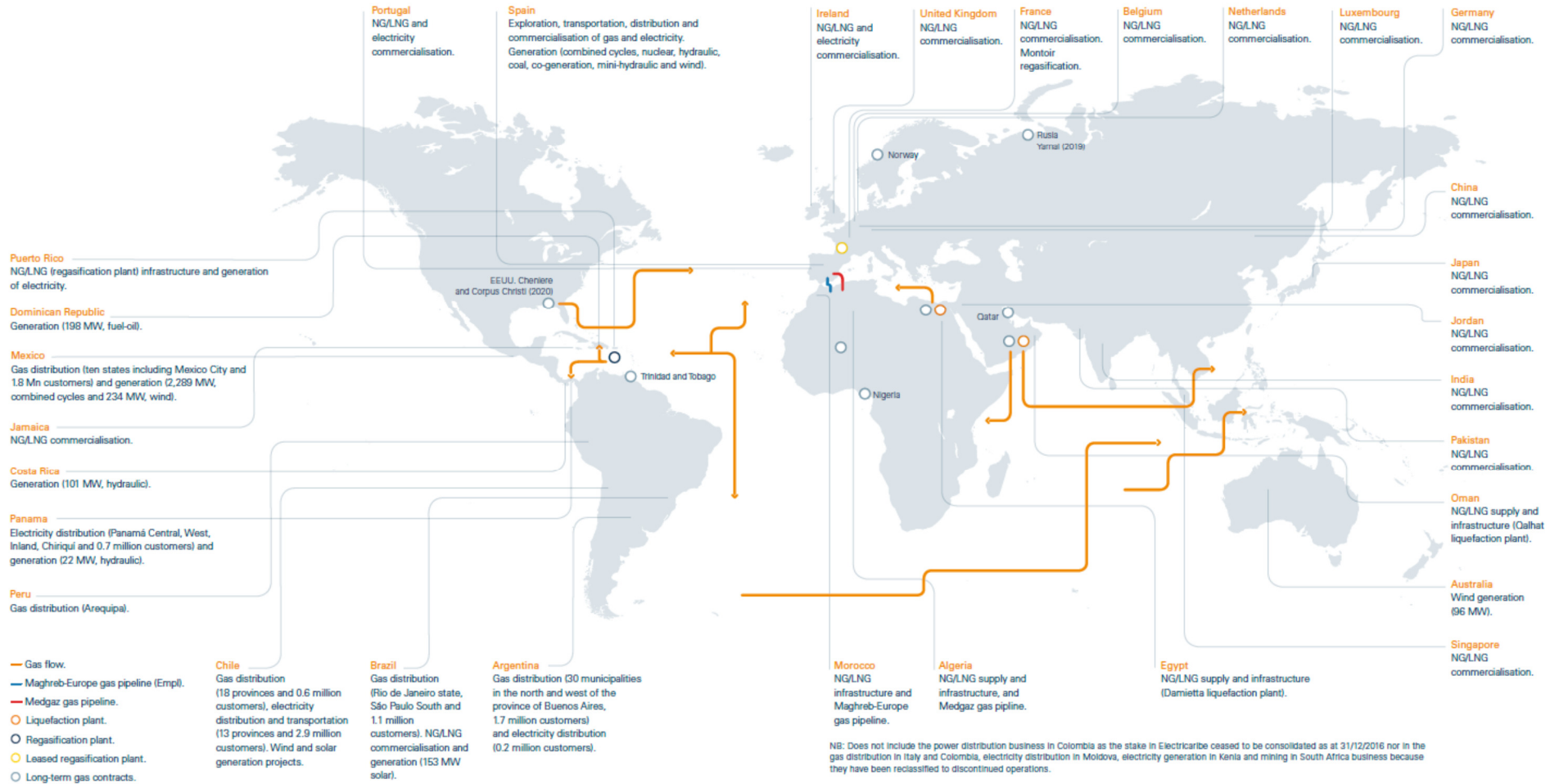
Naturgy's business model is implemented through a number of companies in Spain, elsewhere in Europe, and in Latin America and Africa, and is underpinned by the following main businesses:

Gas & Power	34% of EBITDA: Spain, Europe and Latin America
Infrastructures EMEA	45% of EBITDA: Spain and Africa
Infrastructures Latam South	20% of EBITDA: Latin America
Infrastructures Latam North	6% of EBITDA: Latin America

Note: -5% other activities

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

# Worldwide presence



## Business lines

### Leadership in the gas business

	<b>Networks</b>	<b>Gas</b>		
	<b>Gas distribution</b>	<b>Infrastructures</b>	<b>Procurement</b>	<b>Supply</b>
	10.6 million distribution connections 119,998 km of network	Eight LNG carriers Two transportation pipelines, Maghreb-Europe (EMPL) and Medgaz	~ 30 bcm supply portfolio	378 TWh of gas supplied
Our positioning	<p><b>Spain</b> Leader in Spain with a 69% market share, distributing natural gas to more than 1,000 municipalities in nine autonomous regions and 5.4 million customers.</p> <p><b>Latin American</b> Latin America's top distributor, catering for more than 5.2 million customers. Presence in Argentina, Brazil, Chile, Mexico and Peru and in six of the ten largest Latin American cities.</p>	<ul style="list-style-type: none"> <li>- Eight LNG carriers (1.3 Mm<sup>3</sup>)</li> <li>- Management of the main gas pipeline supplying the Iberian Peninsula, the Maghreb-Europe pipeline (EMPL), and a 14.9% interest in the Medgaz pipeline.</li> <li>- Interest in one regasification plant (Ecoeléctrica) and two liquefaction plants (Damietta and Qalhat).</li> <li>- Proprietary storage capacity of 0.5 bcm and leased capacity of 1 bcm.</li> </ul>	<p>Business model based on the diversification and flexibility that have made Naturgy a global operator with a strong international profile.</p> <p>Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).</p>	<p>Unique access to markets: almost 11 million customers and LNG sales in numerous countries worldwide.</p> <p>A global operator with the flexibility to tap markets offering attractive margins.</p> <p>39% market share in Spain.</p> <p>Competitive supply to combined cycle plants (CCGT).</p>
Our strength	Naturgy has an outstanding position in the markets where it operates, affording it an platform for organic growth, in terms both of attracting new customers in municipalities with gas and of expanding networks to areas without gas.	<p>Naturgy has an integrated gas infrastructure aimed to afford the business considerable stability, making its operations more flexible and enabling it to transport gas to the best business opportunities.</p> <p>Its storage capacity is seeking to ensure a constant supply, avoiding the impact of seasonal fluctuations or peaks in demand.</p>	Its diversified procurements portfolio enables it to tap value-added markets.	<p>Naturgy has a diversified portfolio of end customers, and supplies gas both in Spain and internationally.</p> <p>Its positioning in international markets is seeking to obtain higher margins through trading.</p> <p>Naturgy is a leader in dual fuel supply and it offers a broad range of value-added services.</p>

## Standard-bearer in the electricity business

	<b>Networks</b>	<b>Electricity</b>	
	<b>Electricity distribution</b>	<b>Generation</b>	<b>Supply</b>
	7.6 million supply connections 215,532 km of network	15.6 GW of power generation capacity	35.4 TWh supplied
<b>Our positioning</b>	<p><b>Spain</b> The third-largest operator in the Spanish market, where it distributes electricity to 3.7 million customers.</p> <p><b>Latin America</b> Presence in Argentina, Chile and Panama (3.8 million customers).</p>	<p><b>Spain</b> Capacity of 12.5 GW, with a significant presence in five technologies: 7 GW CCGT, 2 GW hydroelectric, 1.7 GW coal, 1.2 GW renewable and 0.6 GW nuclear power. Naturgy has a market share of 17.4% in non-renewable generation and 2.1% in renewable generation.</p> <p><b>International</b> Capacity of 3.1 GW: 2.3 GW CCGT (Mexico), 0.2 GW oil-fired (Dominican Republic), 0.1 GW hydroelectric power (Costa Rica and Panama) and 0.5 GW renewables (Mexico, Australia and Brazil).</p>	<p>Leader in the mainstream consumer and residential segments, with a total market share of 14.0% in Spain.</p> <p>One of the main traders in the Spanish market.</p> <p>A dual supply and a broad range of value-added services.</p>
<b>Our strength</b>	<p>Naturgy is a leader in the markets where it operates.</p> <p>Naturgy is one efficient operator in terms of operation and maintenance costs in the electricity distribution business.</p>	<p>The company has considerable know-how in the generation technologies that operates and its infrastructure can adapt to the needs of each energy model and to the reality of each country.</p> <p>The company's good positioning in Spain and Latin America will enable it to make the best of investment opportunities in generation.</p>	<p>Being a leader in the combined supply of natural gas and electricity affords the company major advantages, such as lower service costs, integrated customer care and lower acquisition costs, not to mention greater customer loyalty.</p>

### **6.1.2. Value creation and sustainable management**

The long-term commitment to value creation and sustainable management is specified in the Corporate Responsibility Policy, which provides the common framework for action that guides the company's socially responsible conduct; it was approved and updated by the Board of Directors in December 2015, based on international best practices and the recommendations enshrined in the Code of Good Governance of Listed Companies.

This policy undertakes eight commitments to the company's stakeholders:

1. Commitment to results
2. Service excellence
3. Responsible environmental management
4. Interest in people
5. Health and safety
6. Responsible supply chain
7. Social commitment
8. Integrity and transparency

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

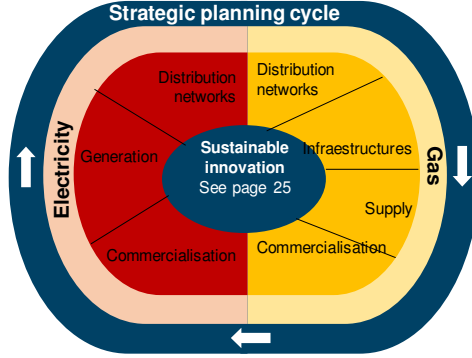
Naturgy has all the essential kinds of capital with which to develop its business model, which is based on the responsible and sustainable management of all the resources it uses.

Our capitals	<b>Financial</b>	<b>Human</b>	<b>Manufactured</b>	<b>Environmental</b>	<b>Social</b>
	<ul style="list-style-type: none"> <li>➤ Sustainable cash generation. Free cash flow= 3,054 M€.</li> <li>➤ Strict financial discipline. Leverage = 48.4%</li> </ul>	<ul style="list-style-type: none"> <li>➤ Professional development and talent management.</li> <li>➤ Diversity and equal opportunities.</li> <li>➤ Extending principles to supplier chain.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Investment and maintenance in gas and electricity distribution networks.</li> <li>➤ Sustainable innovation.</li> <li>➤ Operation development of electricity production capacity.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Environmentally-friendly products and services.</li> <li>➤ Energy efficiency.</li> <li>➤ Undertaking to reduce emissions.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Relations and dialogue with stakeholders.</li> <li>➤ Guarantee of supply</li> </ul>

External environment

- Economic environment
- Regulation
- Environmental policies.
- Technological developments and new business models.

For further information on the strategic planning cycle, please see the "Forecast group performance" chapter, page 17.



**Corporate Governance**

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

Internal environment

Our results	<ul style="list-style-type: none"> <li>➤ Dividends policy. Pay-out: 1,400 M€</li> <li>➤ Meeting financial targets. Ordinary Ebitda: 4,413 M€</li> <li>➤ Ordinary net profit: 1,245 M€</li> </ul>	<ul style="list-style-type: none"> <li>➤ Corporate University and training plans</li> <li>➤ Retaining talent. % Staff trained: 91.0</li> <li>➤ Voluntary rotation : 2.5</li> <li>➤ Health and safety. Accident frequency index : 1.00</li> </ul>	<ul style="list-style-type: none"> <li>➤ Gas distribution: 449,259 GWh</li> <li>➤ Electricity distribution: 54,920 GWh</li> <li>➤ Gas supply: 378,048 GWh</li> <li>➤ Net production: 46,658 GWh</li> </ul>	<ul style="list-style-type: none"> <li>➤ Direct GHG emissions : 18.3 MtCO<sub>2</sub> eq.</li> <li>➤ CO<sub>2</sub> emissions / generation: 342 tCO<sub>2</sub>/GWh</li> </ul>	<ul style="list-style-type: none"> <li>➤ Economic value distributed : 23,413 M€</li> <li>➤ Social investment: 11 M€</li> </ul>
	Shareholders	Employees	Customers	Customers Society	Society

Our stakeholders

Following approval of the new Corporate Responsibility Policy and based on the recommendations of the CNMV's Code of Good Governance in connection with corporate responsibility, the Board of Directors approved the 2016-2020 Sustainability Plan in February 2017 which translates the commitments undertaken into specific actions and allows its compliance to be monitored by the Board of Directors and the Remuneration Committee. The action lines relating to each commitment have been fully aligned with the Strategic Plan and with the individual plans for each of the Group's business areas and departments.

**6.2. Commitment to results**

<b>What resources are relevant to this commitment?</b>	<b>How do we measure our performance?</b>
Financial	EBITDA
Human	Net profit
Social	Investments
	Indebtedness
	Pay-out

**What this means for Naturgy?**

In a challenging environment, Naturgy' acts with the goal to maintain a solid financial and business profile. Naturgy's business model looks for a balance between regulated contracted activities and unregulated ones while applying a strict financial policy.

**What is our commitment?**

- To protect our existing businesses while laying the foundations for future growth.
- To continue with the financial track of Naturgy.

**Analysis of the 2018 results**

The analysis of the consolidated and Naturgy's business results of the 2018 exercise are included in the section Business performance and results of this report.

**Sustainability indices, green bonds and sustainable funding**

Presence in socially responsible investing indices and ratings

The company occupies significant positions in the leading sustainability indices on the strength of its environmental, social and governance (ESG) performance metrics. Naturgy has been part of the Dow Jones Sustainability Index uninterruptedly for the last 14 years, and in 2018 it ranked first in the world in the Gas Utilities sector for the second consecutive year. The company has also been a member of FTSE4GOOD since the index was created in 2001, and ranks as world leader in the Multiutilities sector. During 2018, Naturgy was assessed by rating agencies Oekom, Sustainalytics and Vigeo. The company is included in the three variants of the Euronext Vigeo index: World 120, Europe 120 and Eurozone 120. Naturgy has also obtained the highest rating — AAA — from MSCI and is included in the MSCI Global Climate Index and MSCI ESG Leaders Index.

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

Green bonds and sustainable funding

In 2017, Naturgy developed a reference framework for the issuance of green bonds to fund renewable energies. Under this framework, on 15 November 2017, Naturgy issued a green bond for an amount of Euros800 million, maturing in May 2025. The issue pays an annual coupon of 0.875%. The bonds were issued at 99.77% of par. Additionally, in 2017 the company's auditors certified compliance with the commitments acquired in the framework, and Naturgy's Green Bonds Committee met in December 2018 to assess the suitability and progress with the projects and the degree to which project development conformed to the objectives set in the issue.

In addition, in order to cover its funding needs and in line with its progress in sustainability, in 2017 Naturgy arranged a sustainable loan with ING Wholesale Banking for a total amount of Euros330 million for 4 years, with the possibility of a one-year extension, whose cost is partially indexed to the company's environmental, social and governance (ESG) performance, as assessed by independent rating agency Sustainalytics, which issues a report and a rating in this connection.

The score by the agency improved in the first credit review, with the result that the interest rate was reduced.

**6.3. Service excellence**

**What does it mean for Naturgy? Risks and management approach**

The customer is the centre of operations at Naturgy. Through active dialogue, the company will provide speedy and efficient service which, as well as complying with the legal and profitability requirements, meets the customer's needs.

If the company fails to provide quality products and services, has a customer service that can be improved, and lacks communicative fluidity with the customer, it runs the risk of the customer requesting to finalise the contract or submitting complaints.

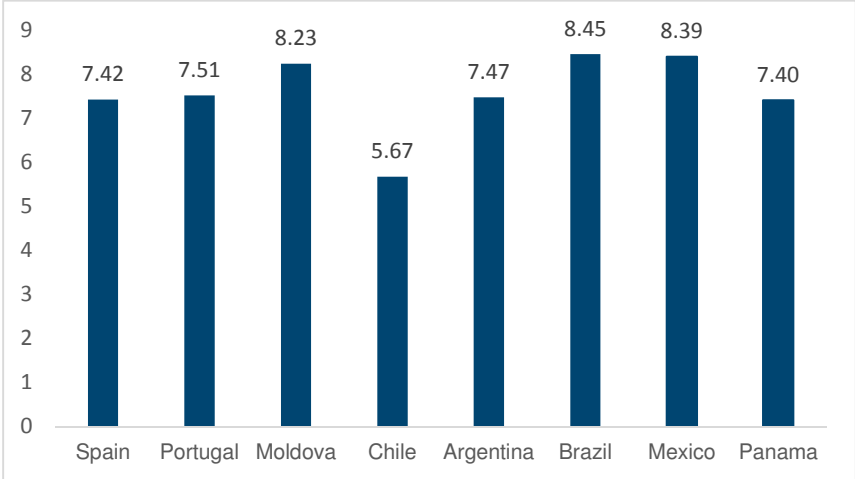
The failure to adapt or lack of flexibility in light of the current context of sector decarbonisation and digitalisation could lead to inefficiencies and losses of market share.

**What is our commitment?**

- Working towards ongoing improvement of safety, reliability and competitiveness of all products and services, offering the highest possible level of quality in accordance with the best available techniques.
- Fostering active and two-way communication that allows us to understand the expectations and opinions of customers and to adapt the responses of Naturgy to their needs.
- Facilitating relationships with customers through simple and efficient operations.
- Providing innovative products and services that encourage energy efficiency and which contribute towards the sustainability of society.
- Furnishing the customer with a differential value through products and services that adapt to each segment and to their needs.
- Applying technological innovation and the technical enhancements available as a means of maintaining an efficient, safe and sustainable supply.

**How do we measure our performance?**

Overall satisfaction with service quality



Chile has been calculated based on a 1-7 scale, unlike other countries which used a 0-10 scale.



### **What are our main milestones in 2018?**

- Raising awareness of the centrality of the customer to our business.
- Advanced CeX training, to enhance the customer's experience with the company.
- Greater dissemination of knowledge about the sector, company and products and services.
- Consolidation of personal experimentation of the customer reality.
- Visible commitment: management commitment to put the customer first.
- Recognition / Pride at belonging: proud to work at Naturgy.
- Evolution of travel and measurement to find out how the customer rates us when covering an energy need with the company.
- COMeX consolidation: to position the marketers in the heart of the distributors.
- Roll-out of the Partners programme: extending the pride of collaboration to collaborating companies.

### **What are our goals for 2019?**

- New paperless digital model in the provision of the Servigas and Servielectric maintenance services
- Billing digitalisation
- Greater digital self-management in the customers' area of the website
- Evolution of the model of efficient customer measurement, at least sufficient
- Contribution of the Customer Experience to the Business
- Annual Customer Experience Action Plan
- Clear Communication Project customised by client
- Optimal management of complaints
- Introduction of the Global Customer Experience Policy
- Evolution of data analytics to improve customer service

### **Analysis of the 2018 results**

#### The customer as the focal point

In 2018 the company began a new stage with an overhauled brand that reflects the corporate transformation, an evolution resulting from 175 years' experience and which supports our commitment with the customer to adapt ourselves to both the present and the future.

This new stage reasserts our Customer Centricity vocation as the basic pillar of the 2018-2022 Strategic Plan, placing the customer as the focal point of all decisions in order to offer an excellent service in a simpler, more innovating, more digital, nearer and more environmentally friendly way.

Our value proposal is to offer our customers simple, close at hand and practical solutions that help the customer on a daily basis, supporting ourselves through digitalisation and innovation, in order to provide excellence in service.

#### Quality and reliability of the service

Maintenance of the gas and electricity facilities is an essential aspect within Naturgy's mission to achieve a level of quality and reliability of the service that satisfies customers and enables us to comply with the regulatory requirements of the countries where we operate and with the most demanding standards of the industry. The aim of maintenance is to improve the safety and reliability of gas and electricity networks, and to maintain a high level of service quality.

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, and which are included in the Maintenance Plan for each type of facility.

The preventive and corrective maintenance procedures are frequently subject to reviews by the technical quality, safety, and internal auditing, compliance and control divisions.

The maintenance actions performed by the company are reflected in the evolution of the main quality/service indicators, which have revealed a notable improvement in recent years. These indicators measure, *inter alia*, response times to a notification of a malfunction or anomalous situation affecting the grid, 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 installations and the introduction of predictive maintenance techniques for the main grid equipment.

Products and services adapted to customers' requirements and priorities

Naturgy's commercial offer is targeted at homes, businesses and major customers. The products offered are not restricted solely to the supply of gas and electricity, but encompass other aspects.

<b>Products and services adapted to customers' needs</b>			
<b>Types of costumers</b>	<b>Homes</b>	<b>Businesses</b>	<b>Major customers</b>
<b>Products and services</b>	Natural gas and electricity		Natural gas, electricity and LNG
	Energy services		
	Equipment		Services with value-added
	Energy saving and efficiency		Efficiency and sustainability
			Energy solutions
			Customised management and advisory services

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

In 2018 we have renewed the commercial catalogue with new tariffs and new services to offer the customer a broader range of choices and to find more appropriate solutions for their needs, whilst simultaneously seeking to simplify the portfolio to provide customers with a simpler and more comprehensive experience. In the domestic area, we have also redesigned promotions by applying benefits according to customers' characteristics and habits.

## Customer service

Naturgy has introduced an innovative Customer Service Model that is fully adapted to customers' characteristics and needs, offering close at hand and accessible solutions that allow for greater comfort and flexibility to our customers' requests. This model is included in the quality management system certified in accordance with ISO 9001 by AENOR.

The customer service channels that Naturgy makes available to customers aim to offer customised service that satisfies their expectations, and with a particular focus on digital channels in line with society's evolution, to achieve a swift and flexible resolution with self-management, simplicity and in an environmentally friendly way.

## Customer service model

Our model comprises three focal points:

- Operational and training model: the aim is to anticipate customers' needs through predictive and data analysis models.
- Technological model: committed to a technological revolution that encourages greater self-management by customers.
- Procurement and financial model: building a partnership model with suppliers and an alignment of the win-to-win objectives

Provision of customer service at Naturgy:

- Digital channel
- Telephone channel
- Guarantee office
- Face-to-face channel - Centres
- Face-to-face channel - Personal manager

The company manages claims from three different areas: retail commercialisation, wholesale commercialisation and distribution of gas and electricity.

In the retail sphere, in Spain over 650 thousand customer claims were processed, approximately half of them dealing with billing issues. The process with the next highest number of claims was that of entering into contracts and, finally, claims related to payment collection. These three kinds of claims account for approximately 90% of all those received, whilst there are other processes, such as registration for new supplies, management of payment defaults and problems with readings, which make up the difference. The average claim response time was approximately one week.

In the wholesale sphere, around eight thousand claims were processed, down approximately 20% year-on-year. Most claims concerned billing and measuring processes, and none of them were of a relevant nature. Around 80% of these claims were resolved within the deadlines established.

In the area of gas and electricity distribution, any claim or complaint received from customers via the different channels available -whether through their gas or electricity marketer in issues for which the distributor is responsible (meter reading, supply quality, new registrations, etc.), directly with the electricity or gas distributor of the Naturgy Group through the customer service channels of the distributors, via the website contacts, by postal mail or through any competent organisation- is received and processed centrally in our integrated claims management system at the Shared Services Department.

The organisation handles not only customers of the electricity or gas system in its operational area, but also any individual or legal entity that may have a claim or complaint through the action or non-action of our distribution assets (works in progress, technical elements on public thoroughfares, etc.) is dealt with as if they were a customer.

With regard to transparency in communication of claims or complaints submitted, both business of Electricity Distribution in Spain (UFD) and Gas Distribution in Spain (Nedgia) comply with the obligations set out in circular 2 of 2016 issued by the National Securities Market Commission (CNMC), reporting every quarter with regard to the details on the situation of claims processed in accordance with the formats and deadlines established by the regulator.

#### Customer's satisfaction and experience

Naturgy listens to its customers' opinions and incorporates them into the decision-taking in order to develop innovative products and services that meet their needs and expectations.

The company has a model to measure customers' experience, through which it constantly monitors the satisfaction of its customers and the level of recommendation.

The model is based on three levers:

- Measurement: Naturgy collect the opinion of its customers through surveys that are classified into two supplementary blocks: general surveys and interaction with the company surveys.
- Analysis: the results are added to the daily management reports, which allows us to include the customer's voice in decision taking.
- Close the loop: process that enables immediate corrective action through the management of alerts that activate whenever the minimum satisfaction and recommendation thresholds required to maintain the level of quality that the company imposes with its customer relations are not reached.

#### Customer Experience programme (CeX)

The Customer Experience programme, based on cultural transformation, was born in 2015 at group level with the purpose of making the company a benchmark at international level in customer satisfaction in the energy sector, measured in terms of recommendation.

With Customer Experience the company introduces a new methodology through which the customer is at the centre the decision-making process, changing the way we do things in order to meet their needs and expectations, but above all, being sensitive to how they perceive the company and their experience within the company.

To this end we introduced a working model based on five pillars:

- Unique company identity (brand and culture).
- Organizational drive (sponsorship and commitment).
- Employees as ambassadors programme.
- Improvement of customer journey and contact points (the journey being the time necessary to cover the customer's needs, from start to finish).
- Continuous real-time measurement of the customer's voice.

As a response to our commitment towards the customer, we have formalised the Customer Experience as a cross-cutting group process and we have developed the Customer eXperience Global Policy for the group. The Policy sets out the Naturgy action framework to ensure that the Customer Experience is integrated into the company's operations and decision taking.

As a result of this Policy, this year we have introduced the Clear Communication Project in the Customer Service billing area, in retail customers and markets and in infrastructures in Spain, providing the knowledge and tools so that people can develop a clearer and simpler communication for the customer.

#### Privacy and security of the customer's data

Naturgy, as part of its commitment to the privacy and security of data of employees and customers, has updated the Information Security Policy and the regulatory corpus of information security that ensures proper processing of this data throughout their life cycle collection and processing through to removal or safeguarding this data once the relationship has terminated.

The Policy and the regulatory corpus are communicated to employees, suppliers and customers, and is implemented in line with the legal requirements that govern the processing of information, the internationally accepted best practices and standards.

This regulatory corpus includes a specific technical standard, which is for the purpose of guaranteeing the protection of personal data at Naturgy and applies to all organisational units and companies of the group that capture or process personal data, as well as partners and suppliers that collaborate in such processing. This standard complies with the provisions set out in the EU General Data Protection Regulation (GDPR).

Security forms an essential part of the design, development and exploitation of all processes and systems, in particular those that process information. All of Naturgy's systems include procedures for authentication and administration of authorisations and access and are designed to guarantee that the use of these does not affect the security of the data handled.

#### **6.4. Responsible management of the environment**

##### **What does it mean for Naturgy? Risks and management approach**

Naturgy is aware of the environmental impacts that its activities have on the surrounding area, and the company therefore pays special attention to environmental protection and the efficient use of natural resources to satisfy the energy demand.

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

Inadequate management of climate change and its associated risks can lead to substantial losses for the company, caused by the increase in exposure to natural disasters, the decarbonisation trend of the sector and the loss of affinity on the part of stakeholders.

Improper environmental management can cause environmental impacts and the deterioration of natural conditions and biodiversity in the areas where the company operates. This, in addition to the direct impact on the environment, can cause the company reputational harm. The risk is greater if the company has infrastructures and/or carries out operations in protected areas.

##### **What is our commitment?**

- Contributing to sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes.
- Contributing to the mitigation and adaptation of climate change through low-carbon and renewable sources of energy, encouraging savings and energy efficiency and the application of new technologies.
- Integrating environmental criteria in business processes, in new projects, activities, products and services, and in selecting and assessing suppliers.
- Minimising adverse effects on ecosystems and fostering the conservation of biodiversity.
- Encouraging the efficient and responsible use of energy and natural resources, introducing activities aimed at improving the management of these within the framework of the circular economy.
- Guaranteeing the prevention of pollution through ongoing improvement, the use of best available techniques and the analysis, control and minimisation of environmental risks.

## How do we measure our performance?

	Unit	2018	2017
Direct greenhouse gas emissions	MtCO <sub>2</sub> e	18.3	20.5
Emission factor for electricity generation <sup>1</sup>	tCO <sub>2</sub> /GWh	342	388
Installed capacity free of emissions <sup>1</sup>	%	27.5	26.4
Net production free of emissions <sup>1</sup>	%	24.9	19.6
Activity with environmental certification <sup>2</sup>	%	88.7	87.7
Water consumption	Hm <sup>3</sup>	26.5	28.0
Consumption of raw materials	Kt	6,729	7,580
Natural gas	Kt	4,736	4,638
Coal	Kt	1,630	2,480
Petroleum derivatives	Kt	352	452
Uranium	Kt	11	11
Direct energy consumption <sup>3</sup>	GWh	60,614	64,728
Indirect energy consumption (final use of natural gas distributed/commercialized)	GWh	577,647	613,181
Resources targeted at the prevention of environmental risks <sup>4</sup>	Million euros	494	96

It does not include the information of Moldova, Kenya and South Africa. The figures for Moldova are: GHG emissions: 0.002 MtCO<sub>2</sub>e, Consumption of raw materials: 0.5 kt (0.0001 kt natural gas, 0.5 kt petroleum derivatives), Direct energy consumption: 254 GWh.

## Provisions and guarantees for environmental risks

The company makes financial provisions to cover the materialisation of potential environmental risks, including:

In addition, Naturgy has guarantees to cover the occurrence of environmental risks in the insurance policies it has taken out. The insurance policies that the company has contracted and in which there is environmental coverage are:

- Environmental liability insurance: limit contracted for a value of Euros150 million per loss event and in the annual aggregate.
- Liability coverage for sudden and accidental pollution in the general public liability policy: limit of Euros 700 million per loss event.
- Protection and compensation insurance: maximum limit of USD 500 million per loss event, in accordance with the Rules of the UK P&I CLUB 2018 (Charterers), to cover the liabilities for pollution arising from chartering vessels.

## What are our main milestones in 2018?

- Growth of renewable power with low or zero emission.
- Development of renewable gas projects.
- Promotion of sustainable mobility.
- Extension of the biodiversity actions and plans.

<sup>1</sup> Includes hydroelectric, wind, nuclear and solar generation

<sup>2</sup> Percentage of Ebitda certified with regard to that which is certifiable. The ebitda used in the ratio is the November closing ebitda.

<sup>3</sup> It includes consumption of renewable, non-renewable and electricity resources and separates the electricity and the heat sold

<sup>4</sup> The 2018 figure includes the investment in renewable energies.

- Progress in the certification of new environmental management systems pursuant to the ISO 14001.

### **What are our goals for 2019?**

- Growth of renewable energies, in line with the goal of the 2018-2022 strategic plan (tripling installed capacity) to contribute to the mitigation of climate change and the energy transition.
- Promote innovation and the development of renewable gas projects as an energy and storage vector that facilitates the transition to a circular and decarbonised energy model.
- Offer sustainable mobility solutions for cities and land and maritime transport that improve air quality.
- Protect biodiversity in operations, applying a preventive approach, implementing best practices and encouraging the creation of natural capital.

### **Analysis of the 2018 results**

#### Environmental management

Responsible management of the environment is a strategic pillar for Naturgy, which reflects its commitment to the Corporate Responsibility Policy approved and supervised by the Board of Directors. The policy includes the company's action principles, with an emphasis on promoting the sustainable development of society through the supply of competitive, safe energy and with the utmost respect for the environment.

Environmental management is structured around three strategic pillars:

- Climate and air: contributing to the mitigation of climate change, the energy transition and the improvement of air quality.
- Circular economy: promoting eco-efficiency in the use of resources to reduce negative environmental impacts.
- Natural capital and biodiversity: encouraging the preservation of natural and cultural heritage within the areas of operation.

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

- Contribution to climate change
- Pollution of air, water and land
- Biodiversity loss
- Consumption of non-renewable raw materials

To minimise these effects, Naturgy employs a preventive approach throughout the entire value chain of its business:

- Certified and externally-audited environmental management system aimed at preventing pollution and reducing environmental impacts along the entire value chain, involving employees, suppliers and other stakeholders. During the design phase of new facilities and during dismantling, the environmental conditions of the surrounding area are studied, and the projects are adapted, including the necessary preventive, corrective and compensatory measures. During the operational phase, strict monitoring is performed to ensure compliance with legislation and to maintain impacts within the limits set.
- Integration of the environment in the management of risks and opportunities and in the decision-taking processes, paying special attention to climate change and the energy transition.

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

- Themis, for the identification, registration, monitoring and management of compliance with legal requirements.
- Prosafety, for recording and management of the findings, nonconformities, observations and opportunities to improve environmental management.
- Enablon, for recording and centralized management of environmental indicators related to atmospheric emissions, consumption of raw materials, water and other resources, discharges, waste, etc. The system is also used to monitor environmental targets and action plans.
- Geographical information system of biodiversity, showing the protected natural areas, the group's facilities and the initiatives carried out to protect and improve natural capital.
- Carbon footprint, to determine greenhouse gas emissions throughout the entire value chain, including indirect emissions produced by third parties upstream and downstream of group activities.
- Environmental footprint, to measure the company's environmental performance, distinguishing between the components of atmosphere, waste, climate change, water, biodiversity and resources.
- DAMAS, to identify and assess the direct and indirect environmental aspects of the company, allowing us to establish the most relevant aspects to take into account both in the environmental management of these as well as the environmental targets defined each year.
- Environmental planning, through which action lines are defined, introduced and supervised to reduce environmental impact and for continuous improvement.
- Environmental audits, both external and internal, conducted within the scope of the integrated management system.

#### 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.

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
- 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 customer service, billing and payment, training and management of office buildings.

#### Environmental risk management

Naturgy identifies, records and analyses all the environmental risks and events that have occurred in order to define, apply and disseminate preventive measures to reduce potential damage to the environment. To do this, facilities with environmental risk are assessed using recognised standards as a reference. The first element for management is self-protection plans and their associated procedures, in which the most appropriate risks and responses are identified in light of potential accidents and emergency situations that can cause environmental damage.

In addition, there are global and uniform procedures and systems in the different businesses and geographies for reporting, classifying, monitoring and managing environmental events (Prosafety).



This methodology allows not only an adequate and uniform monitoring of environmental events, but also the identification, analysis, development, application and exchange of preventive measures and best practices in risk management at a global level.

For management of the climate change risk, Naturgy has a specific tool, developed in Ms Excel and @Risk, which allows us to estimate the Group's exposure to risks at an aggregate level and broken down by business and geography. This tool analyses the impact of climate change on different businesses and technologies, over time periods (short, medium and long term) and geographies. This allows us to estimate the impact of different climate change scenarios (IPCC) through different indicators:

- Physical: impact forecasts on energy (produced, traded, purchased, etc.) water level with regard to the height of the corporation's facilities, availability of hydric resources, etc.
- Environmental: emissions of CO<sub>2</sub>.
- Business: market shares and penetration levels.
- Economic: impact forecasts on level of revenue, Ebitda, cash flow and present value of the business, as well as estimates of the value at risk for different confidence levels.

In addition, it means we can simulate new scenarios based on new products and services, etc. and the implementation of R&D&I actions, generating different scenarios to assess the impact.

## **1. Climate and air quality**

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 main strategic lines of action in terms of climate are:

- Favouring the mitigation of climate change and the improvement of air quality, displacing carbon-intensive fuels and encouraging the promotion of energy savings and efficiency both in our own facilities and at our customers.
- Contributing to the decarbonisation of the system, increasing the use of gas and renewable electricity and encouraging their integration through the development of smart grids.
- Supporting international climate change negotiations and mechanisms that foster technological neutrality and industrial competitiveness, promoting the development of the most appropriate technologies at each stage of the energy transition.

Naturgy has a voluntary goal for GHG reduction. This target is aligned with science to avoid an increase in temperature above 2 °C (Science Based Targets Initiative. Tool V8): Average reduction of 26% of total direct emissions for the 2013-2025 period, taking 2012 as the base year.

The main lines of action carried out to reduce GHG emissions:

- Displacement of carbon intensive fuels.
- Fostering renewable electricity.
- Promoting renewable gas.
- Encouraging the gas-renewable binomial in generation.
- Reducing fugitive emissions.
- Increasing energy efficiency in our facilities.
- Promoting energy efficiency at our customers.
- Exploring and developing technologies to reduce emissions.

For management of climate change, the following means are available:

- Measurement and control tools for GHG emissions and operational plans implemented to reduce them, including the annual calculation of the group's carbon footprint.

- Transparency and dissemination of information, publishing the carbon footprint report and participating in the international benchmark indexes on climate change, such as the CDP.
- Participation in the following initiatives related to climate action:
  - Carbon Pricing Leadership Coalition (CPLC).
  - Caring for Climate.
  - Statement on fiduciary duty and climate change disclosure.
  - Corporate commitment with the Science Based Targets climate policy initiative.

## **2. Circular economy**

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

- Improving eco-efficiency in the use of resources, energy, water and raw materials, reducing pollution, waste and its impact on the environment.
- Innovating for the promotion of renewable gas (biomethane and hydrogen) as an energy and storage vector that facilitates the transition to a circular and decarbonised economy model.
- Offering sustainable mobility solutions for cities and land and maritime transport that reduce atmospheric contamination and improve air quality.

Within the framework of the integrated management system, Naturgy develops management and control procedures aimed at minimising the waste that is disposed of in landfills, through prevention, reuse, recycling and/or energy recovery.

Most water consumption at the facilities of Naturgy is due to the operation of thermal power stations. Specifically, the majority is produced through the evaporation of water in the cooling towers; the rest corresponds to consumption in other processes, in the water-steam cycle and in other auxiliary services. Most of the water collected is returned to the environment. Depending on its origin, the main source of supply is the sea, with fresh water accounting for a much smaller contribution. It is important to note that Naturgy, aware of the scarcity of water in the environments of some of its power plants, introduced systems for the reuse of wastewater in these facilities.

Regarding effluent discharges, at power stations we monitor and analyse not only the effluents but also of the waters of the environment receiving the effluent discharges. The treatment equipment and systems worked as planned in 2018, complying with environmental permits. In addition, studies of the receiving environment reveal that no significant impacts were generated in the aquatic ecosystems where the effluent discharges are made.

Furthermore, Naturgy also promotes energy efficiency, both in its own facilities and at its customers, helping to reduce environmental impacts due to unconsumed energy. Moreover, numerous innovation initiatives are under development in the field of renewable gas, in order to promote this new energy vector, which allows the recovery of organic waste and reduces GHG emissions.

## **3. Natural capital**

Naturgy is committed to the preservation of natural capital, biodiversity and cultural heritage in the areas around its facilities, with special attention paid to protected areas and species. To this end, it is based on the precautionary principle, conducting prior environmental studies during the design phase that minimise the negative impacts of the complete life cycle of the facilities.

Introducing additional voluntary measures contributes to the knowledge and mitigation of the impacts arising from the development of new projects and the operation of the facilities once they have been introduced. The company also takes into consideration the opinion of stakeholders in places where activities and projects are developed.

In addition, in the areas surrounding the facilities, especially in those that are close to protected areas or of high value for biodiversity, studies are carried out to improve the knowledge of the natural spaces and to reduce impacts.

The development of Naturgy's activities requires the occupation of land. When the facilities are being designed, environmental impact studies are carried out, in which the protected areas that have a high ecological value are analysed, adapting the project to avoid or minimise the impacts on biodiversity. In those cases in which it is not possible to completely avoid the impact, the required compensatory measures are introduced.

Once the facilities are operational, they are integrated into a Geographical Information System, where they are crossed-checked with the protected natural spaces to identify, quantify and monitor the impacts on biodiversity.

To minimise these effects, the company applies operational control procedures and, at those facilities where there can be greater potential risk, we carry out environmental assessment studies and define environmental emergency plans to prevent the incident before it occurs, or to minimise any damage. We also regularly perform environmental emergency drills to test the procedures that have been defined.

The key impacts on biodiversity that may arise from the company's operation in the area of the sites and in the areas adjacent to them, are the following:

- Temporary condition affecting the fauna present in the environment, as a consequence of the construction of transportation and distribution infrastructure of gas and electricity.
- Permanent condition affecting bird life and arboreal vegetation, as a result of the operation of transport networks and the distribution of electricity.
- Impact on the abiotic and biotic environment of the environments around the facilities, as a consequence of emissions arising from combustion.
- Condition affecting the populations of species present in the environment, as a consequence of changes in land use and the permanent presence of the facilities in the natural environment.
- Effect on the aquatic environment, as a result of effluent discharges.
- Relevant effect on biodiversity (positive and negative), as a consequence of the creation of reservoirs associated with hydraulic power stations.

## **6.5. Interest in people**

### **What does it mean for Naturgy? Risks and management approach**

For Naturgy it is essential to foster a quality working environment, based on respect, diversity and personal and professional development. Naturgy also has a Code of Ethics that establishes the guidelines governing the ethical behaviour of all employees in their daily work and, specifically, with regard to the group's relations and interactions with its stakeholders.

Persons that suffer any kind of discrimination or do not feel themselves to be fairly rewarded tend to reduce their pride of belonging and lower their productivity. Furthermore, research reveals that the increase of pay inequality is associated with lower profits, productivity and business competitiveness.

The major transformation of the energy sector and digitalisation require new expertise and skills which, if they are not covered in a flexible way, would place the company at a disadvantage with its competitors, with the resulting consequences this could have on the business.

### **What is our commitment?**

- Applying best practices in identifying, attracting and retaining the talent necessary for the development of the businesses, ensuring the principles of fairness and non-discrimination on any grounds whatsoever (disability, age, gender, work history, etc.).
- Encouraging the professional development of persons as part of the talent management model, ensuring that all professionals have the means, programmes and tools necessary to foster their skills and expertise.
- Promoting a motivational work setting that guarantees internal recognition of the culture of effort, the autonomy required to be able to create, develop and innovate, and an overall framework of compensation that is commensurate with this.
- Ensuring the effective introduction of flexibility mechanisms that facilitate the balance between professional and personal life, and which favour the human and social development of persons.
- Promoting diversity and equal opportunities in an environment of respect, understanding and ongoing dialogue, with a special focus on the inclusion of disabled persons and extending this commitment to suppliers and collaborating companies.
- Fostering constant liaison between the company and workers' representatives that enables feedback in order to take decisions.

## How do we measure our performance?<sup>1</sup>

### Distribution of employees by age group, country, gender, and employee category

	2018											
	Nº employees	18-35 (%)	36-50 (%)	>50 (%)	Management team		Middle managers		Technicians		Operators	
					Men (%)	Women (%)	Men (%)	Women (%)	Men (%)	Women (%)	Men (%)	Women (%)
Germany	7	14.3	57.1	28.6	-	-	-	-	71.4	28.6	-	-
Argentina	767	21.3	37.4	41.3	3.7	0.8	13.7	3.5	15.1	4.8	45.0	13.4
Australia	8	50.0	37.5	12.5	-	-	-	-	25.0	-	62.5	12.5
Belgium	3	66.7	33.3	-	33.3	-	-	33.3	-	33.3	-	-
Brazil	478	25.7	61.5	12.8	5.2	2.9	12.8	7.1	15.5	11.5	29.3	15.7
Chile	3,046	27.2	49.1	23.7	2.2	0.8	12.6	3.2	26.5	11.0	33.7	10.0
Colombia	84	36.9	48.8	14.3	10.7	13.1	6.0	9.5	17.9	22.6	8.3	11.9
Costa Rica	20	20.0	65.0	15.0	5.0	-	5.0	-	10.0	-	75.0	5.0
Spain	6,532	11.1	59.9	29.0	11.0	4.4	15.2	4.6	19.9	15.0	19.2	10.6
France	66	57.6	40.9	1.5	10.6	3.0	6.1	7.6	28.8	31.8	3.0	9.1
Holand	7	28.6	71.4	-	14.3	-	14.3	-	28.6	28.6	14.3	-
Ireland	40	50.0	45.0	5.0	12.5	2.5	12.5	5.0	32.5	27.5	7.5	-
Israel	15	73.3	26.7	-	-	-	13.3	6.7	53.3	26.7	-	-
Morocco	93	7.5	43.0	49.5	3.2	1.1	39.8	2.2	11.8	2.2	29.0	10.8
Mexico	989	37.1	54.5	8.4	5.8	1.3	16.5	4.0	23.7	10.5	27.2	11.0
Panama	362	37.0	36.2	26.8	5.0	2.5	21.3	9.9	12.7	11.6	25.4	11.6
Peru	21	52.4	42.9	4.8	-	4.8	14.3	4.8	33.3	14.3	9.5	19.0
Portugal	18	38.9	61.1	-	-	11.1	-	-	16.7	44.4	5.6	22.2
Puerto Rico	5	20.0	20.0	60.0	40.0	-	40.0	-	-	-	-	20.0
Dominican Rep.	84	19.0	66.7	14.3	1.2	2.4	23.8	9.5	3.6	7.1	50.0	2.4
Singapur	4	75.0	25.0	-	25.0	-	-	-	75.0	-	-	-
Uganda	51	66.7	29.4	3.9	2.0	-	39.2	5.9	-	2.0	43.1	7.8
<b>TOTAL</b>	<b>12,700</b>	<b>20.1</b>	<b>54.3</b>	<b>25.6</b>	<b>7.4</b>	<b>2.9</b>	<b>14.8</b>	<b>4.5</b>	<b>21.0</b>	<b>12.8</b>	<b>25.8</b>	<b>10.8</b>

1 The indicators that represent the evolution over the year include information from companies held for sale (Moldova, Kenya) or sold prior to the year-end (South Africa) provided that the opposite is not specified, while the indicators that represent information at the year-end do not include information about these companies.

### Annual average of indefinite and temporary contracts by age, gender and professional category

percentage of workforce by type of contract			Average annual workforce temporary contract by professional category			Average annual workforce temporary contract by age		
		2018	2018		2018		2018	
	Men		Men	Women	Men	Women	Men	Women
Permanent contract	Men	67.7	Executives	2	-	18-35	136	92
	Women	30.1	Technicians	102	70	36-50	68	38
Temporary contracts	Men	1.2	Administrative staff	-	-	>50	9	2
	Women	1.0	Operatives	109	62	<b>Total</b>	<b>213</b>	<b>132</b>
<b>Total</b>		<b>100.0</b>	<b>Total</b>	<b>213</b>	<b>132</b>			

### Rotation and voluntary rotation index

(%)	2018	2017
Rotation	17.4	6.4
Voluntary Rotation	2.5	2.9

## Number of dismissals by age group, gender, and professional category

Dismissals by profesional category and gender	2018		Dismissals by age group and gender	2018	
	Men	Women		Men	Women
Executives	9	2	18-35	60	23
Technicians	111	32	36-50	72	44
Administrative staff	-	-	>50	58	22
Operatives	70	55	<b>Total</b>	<b>190</b>	<b>89</b>
<b>Total</b>	<b>190</b>	<b>89</b>			

## Salary gap<sup>1</sup>

Below is a detail of the salary gap measure according to which a % above zero represents the % that women earn less than men:

	2018			
	Executives	Technicians	Administrative staff	Operative
Argentina	21.4%	12.8%	11.6%	17.8%
Brazil	22.7%	14.7%	-	24.1%
Chile	38.1%	6.1%	18.0%	17.8%
Colombia	10.2%	28.0%	(2.4%)	-
Spain	13.1%	4.5%	6.2%	13.3%
France	23.7%	18.1%	8.2%	-
Ireland	38.9%	19.6%	-	-
Morocco	4.5%	6.7%	7.1%	-
Mexico	4.5%	(2.1%)	(26.6%)	(30.1%)
Moldova	2.3%	2.5%	(17.9%)	(2.1%)
Panama	(20.4%)	(16.1%)	15.9%	-
Dominicana Rep.	-	(10.0%)	22.7%	-

<sup>1</sup> Data is provided about the most relevant countries for Naturgy. 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. The reason why boxes are left blank is because there are no employees of one gender or another in said professional category.

## Average remuneration by age group, gender, and employee category<sup>1</sup>

	2018							
	Executives		Technicians		Administrative Staff		Operative	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	59,279	46,587	22,995	20,060	17,868	15,799	20,135	16,555
Brazil	51,148	39,534	21,571	18,399	-	18,494	14,887	11,306
Chile	156,804	96,992	46,327	43,515	28,184	23,125	17,951	14,456
Colombia	83,685	75,116	15,804	11,377	6,156	6,305	-	-
Spain	102,177	88,797	45,203	43,135	33,346	31,269	31,691	27,498
France	100,743	76,888	52,909	43,353	35,231	32,339	-	-
Ireland	99,000	60,500	56,000	45,000	-	-	-	-
Morocco	93,061	88,902	34,577	32,248	13,090	12,155	17,532	-
Mexico	33,186	31,693	14,442	14,747	6,828	8,646	6,567	8,544
Panama	38,576	46,463	17,256	20,036	18,896	15,899	14,128	-
Dominicana Rep.	-	73,110	23,216	25,545	12,210	9,439	11,946	-

It includes only the fixed remuneration.

2017								
	Executives		Technicians		Administrative Staff		Operative	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	78,404	63,187	31,615	28,602	24,812	22,116	26,555	25,626
Brazil	75,051	65,270	26,068	23,699		20,518	15,449	15,034
Chile	128,109	87,065	41,803	38,023	25,064	20,438	15,191	13,140
Colombia	63,952	54,794	13,550	12,569	6,564	6,455	6,227	6,615
Spain	99,531	84,576	50,329	45,813	42,004	35,990	38,876	29,529
France	97,143	82,911	52,146	42,623	34,596	31,617	-	-
Ireland	312,231	67,600	46,680	41,656	-	-	-	-
Morocco	85,786	81,598	33,235	29,675	9,499	12,013	16,277	-
Mexico	31,796	29,357	12,741	12,849	6,478	8,188	5,617	5,585
Panama	41,041	43,775	16,393	18,152	16,216	15,082	13,098	-
Dominicana Rep.	46,643	73,699	20,009	24,309	11,915	9,045	11,683	-

It includes only the fixed remuneration.

Average remuneration by age (Spain)	Amount
18-35	34,446
36-50	48,737
> 50	56,196

#### Average remuneration of directors and executives

The remuneration of the executives of Naturgy is detailed in an individual basis in Note 26 of the annual accounts.

The average remuneration of directors of Naturgy (without taking into account indemnities detail in the section of the Corporate governance) amounted 808 thousand of euros in the exercise 2018.

#### Disabled persons integration rate

	2018	2017
Employees with disabilities (%) in Spain	2.40	2.50

## Percentage of employees covered by collective bargaining agreements

	2018		2017	
	Not covered by collective bargaining agreement	Covered by collective bargaining agreement	Not covered by collective bargaining agreement	Covered by collective bargaining agreement
Germany	-	100.0	-	100.0
Argentina	19.3	80.7	23.0	77.0
Australia	-	100.0	-	100.0
Belgium	33.3	66.7	18.2	81.8
Brazil	25.5	74.5	24.6	75.4
Chile	4.6	95.4	4.8	95.2
Colombia	47.6	52.4	45.5	54.5
Costa Rica	-	100.0	-	100.0
Spain	32.0	68.0	29.8	70.2
France	72.7	27.3	71.3	28.7
Holand	-	100.0	-	100.0
Ireland	100.0	-	95.1	4.9
Israel	-	100.0	-	-
Morocco	34.4	65.6	33.0	67.0
Mexico	19.0	81.0	18.3	81.7
Panama	61.9	38.1	59.9	40.1
Peru	-	100.0	-	100.0
Portugal	-	100.0	-	100.0
Puerto Rico	-	100.0	44.4	55.6
Dominicana Rep.	3.6	96.4	3.9	96.1
Singapur	100.0	-	100.0	-
Uganda	-	100.0	-	100.0
<b>Total</b>	<b>24.1</b>	<b>75.9</b>	<b>22.8</b>	<b>77.2</b>

## Training<sup>1</sup>

	2018	2017
Workforce trained (%)	91.0	93.7
Total course hours	645,311	613,623

	2018				Total
	Management team	Middle managers	Technicians	Operators	
Total course hours	113,262	137,823	204,617	189,609	<b>645,311</b>

<sup>1</sup> They do not include Kenya or South Africa. They do not include figures for companies and/or countries that do not have access to the Success factor platform (Energía de San Juan, S.A., Ireland and Israel).

## What are our main milestones in 2018?

### New organisational model of the group

- Scaling up the use of people analytics in the preparation of diagnostics and in taking decisions that concern persons.
- Implementation of new ways of working and new methods of collaboration that accompany the evolution of the businesses.



## **What are our goals for 2019?**

- Application of the new People Model
- New ways of working project: TEAM
- Launch of the Transformational Leadership Academy
- Naturgy in-house Communication Plan focused on: corporate priorities, the executive role in communication, and fostering participation.

## **Analysis of the 2018 results**

### People management model

During 2018 the people management strategy at Naturgy has revolved around the transformation and creation of value, as set out in the company's roadmap. The empowerment of people is one of the levers that drives the transformation the company is introducing, and, in this regard, management of people has focused on defining its management model, bridging the new strategic targets with people and simplifying processes to accompany the creation of value.

The people management model is designed as a dynamic ecosystem that enables people to be part of the company's evolution, and is one of the key levers, together with customers and shareholders, in the creation of value. The Naturgy people model applies at corporate level and incorporates three major areas, where a series of focal points and their associated processes come together to ensure consistency and solidity of the model:

- Commitment and loyalty, which works on attracting, retaining and the segmentation of talent.
- Total compensation, which links the professional category, remuneration and the working environment.
- Training, as an element of evolution and development of the company's professionals.

### Measures to foster employment

Naturgy has a pool of young professionals with sound technical and management training, through the annual programmes of work experience and the agreements for Dual VT. A pool that enables us to respond to the company's needs and to attract the best talent in those spheres of knowledge in which Naturgy is the leader:

- Professional practices programme: Naturgy has partnerships with the main universities and higher education centres in those countries where it operates, through which it selects young people for work experience each year.
- The Dual VT offers Naturgy the opportunity to participate in the vocational training of young people, developing academic content adapted to the needs of the company, ensuring rapid adaptation to the working environment.

## 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 various disabilities and extending this commitment to suppliers and collaborating companies.

In 2013, Naturgy established an Equality Plan at corporate level together with the union representations that was published in the Official State Gazette under Registration Number 90100073112013. It is based on 14 strengths to be maintained and 14 weaknesses to be corrected identified by outsourced experts, giving rise to 32 actions in issues of communication and raising awareness, culture and leadership, development and promotion, remuneration, flexible employment and work-life balance, selection, prevention of harassment, measurement and monitoring.

The creation and activation of a specific protocol against harassment; the best practices protocol in the selection processes, or the communication guide for business professionals that need to intervene for some reason in the selection process, are just some of the measures introduced and which, together with the Integrated Diversity Plan, approved at the end of 2015, have propitiated major advances in diversity and equal opportunities.

The protocol against sexual harassment lays out some preventive actions to avoid situations of harassment that include informing all employees about the protocol; training the entire workforce in the issue, and in particular employees with personnel under their charge; the obligatory nature and responsibility of each employee to establish their relationships with respect and dignity and for each employee to report any case of harassment to their superior.

The action procedure in the event of detecting any situation of harassment sets out two channels:

- Informal procedure: through which the affected party informs the alleged aggressor that this behaviour is not welcome, that it is offensive and interferes with their work. And if the situation is not resolved, then the formal procedure will be instigated.
- Formal procedure: through which the harassment situation is reported, following these steps:
  - Notification to the Code of Ethics Committee or reporting to their superior or to the Human Resources Department, who will decide whether to accept it for processing.
  - Investigation, gathering the information and conducting interviews with the affected parties and witnesses, if there are any.
  - Possibility of introducing precautionary measures.
  - Report on conclusions and resolution of the procedure, which will include the corrective measures and the introduction of the following solutions: filling of the report or commencement of the disciplinary file depending on the seriousness of the offence.

The protocol offers a series of guarantees, inter alia the complete anonymity of the informant; the process will be completed as expeditiously as possible; the intervention of the workers' representatives may be requested and an impartial hearing guaranteed, along with fair treatment for all of the affected parties. No reprisals will be allowed, and the identity of the informers will be protected.

In 2018, the company's commitment to diversity remained strong, consolidating the Integrated Diversity Plan which brings together specific initiatives, in all geographies and territories, for people management, classified into three areas: gender, disabilities and age.

As regards integration and accessibility of people with different capabilities, the Management of Naturgy acts as an impetus for a range of actions targeted at standardising management of functional diversity:

- Family Plan: this provides relatives of employees with advice from professionals and experts in disability and employment integration, so that from the earliest ages they can develop the skills and abilities that enable persons with disabilities to increase their autonomy and employability.
- Capacitas Plan: this aims to promote the employment of people at risk of social exclusion on grounds of disability.

- Aflora Plan: this encourages those employees of Naturgy with some degree of disability to contact the company for information on new measures specifically designed to achieve the full integration of everybody in a unique environment of diversity.
- Bequal Plus certificate: Naturgy renewed this certificate in 2018, substantiating our commitment in corporate social responsibility and disability.

The Equality Plan has encompassed the development of best practices protocol to avoid discrimination in the selection processes, and which includes the following measures:

- Open up the spectrum of recruitment sources to associations and foundations to guarantee equal job opportunities at the company.
- In the publication of job offers:
  - No discriminatory terminology is used.
  - Put the feminine gender first followed by the masculine.
  - Gender separation will always be carried out with slashes.
  - Do not use any notation as a requisite that does not offer equal conditions to the different candidates on the grounds of gender, appearance, disability, age, religion or personal beliefs of any kind.
  - Only specify the need for a driving licence when the job requires this.
  - Do not use possession of own vehicle as a requirement.
  - Do not use the need to reside near the place of work as a requirement.
- In the selection process:
  - In the case of disabled candidates, make sure we have the accessibility required so that they can attend the interview with us.
  - Avoid prejudices and stereotypes associated to gender, appearance, disability, age, religion, religious beliefs of any kind.
  - Transmit the corporate image.
  - Avoid personal questions and, if necessary, justify them.
  - Avoid preferential treatment.
- In the finalisation of the process:
  - Explain the result of the process.
  - Explain the next steps if they have passed the process.
- On joining the company:
  - Inform them about the equal opportunity policies.
  - Transmit values.
  - Non-discriminatory social benefits.
  - Career plans based on merits and capabilities.

### Training and development

Training is one of the key areas of the Naturgy People Model. The Naturgy training and development model is instrumented through the Naturgy Corporate University, as this is a strategic lever of transformation that serves the business to build the future, create value and achieve the goals set out in the Strategic Plan.

The Corporate University's mission is to help develop professionals that make Naturgy's vision a reality and its aim is to ensure adequacy between the job position and the person, the acquisition of expertise linked to new needs of the organisation and the development of skills and abilities related to the Naturgy leadership and culture model.

Its advisory board guarantees a steadfast connection between the company's strategy and the activity of the Corporate University. The board comprises representatives from the company's senior management as well as external advisers from prestigious academic institutions.

The Corporate University has a quality management system pursuant to the ISO 9001:2015 standard, renewed in 2017 and with CLIP (Corporate Learning Improvement Process) accreditation from the European Foundation for Management Development (EFMD) since 2003 and last renewed in 2018 for a

five-year period. This certificate recognises the quality of learning and development processes of people of corporate education organisations.

2018 has seen consolidation of the introduction of Evolution as an on-line training platform of the Corporate University and the evolution of the company's new training model based on three levers: employee experience, personalisation of the training available and centralised global operations.

The Corporate University's management model responds to the training needs through its two academies:

- The Tech Academy guarantees the transfer of specific technical knowledge in each business, thus permitting its efficient development and ensuring quality and uniformity in all countries.
- The Transformational Leadership Academy, focused on transformation through the development of leadership of the executive, director and management team of Naturgy.

### Flexibility

Naturgy is committed to promote an appropriate work-life balance through a significant number of flexible employment measures, services and benefits adapted to employees' needs.

### Global FRC certification

Naturgy is a benchmark of the new socio-labour and business culture. This is recognised in the Global Family Responsible Company (FRC) certification, obtained in 2013, renewed in 2016 for another three years and reviewed in 2017 and 2018, respectively. We were the first and only company to obtain this qualification issued by the *Más familia* Foundation. This certification is audited by AENOR, and is supported by the Ministry of Health, Consumer Affairs and Social Welfare.

This certification is an endorsement of the country-specific local measures on conciliation and development, but it also identifies 20 measures that are common to all of them and which are promoted at corporate level. Among these 20 measures, we can highlight those expressly related to the principles set out in the Global FRC Standard 1000/23 on time flexibility (flexible working day and paid leave); support to the personal environment (support to the family environment and spaces of integration between employees and relatives), personal development (with non-work integration activities), and job quality (use of technological tools to avoid travel, along with health, safety and well-being measures).

### Time Bank

Naturgy provides its employees with a space, both physical and virtual, where they can delegate the performance of daily tasks in order to increase the free time they can spend on the most enriching aspects of their personal life. The range of services available to them is extensive and structured into three blocks:

- Administrative tasks: advisory and assistance services for frequent administrative tasks.
- Advantages club: an exclusive virtual space with more than 500 offers.
- Easylife space: outreach services and acquisition of products.

The Time Bank also offers services available on a quotation basis, such as technical services, courier services, returning clothes to stores and currency exchange, or special services provided during Christmas or back-to-school campaigns, among others.

In addition, in April 2018 we introduced the Easybox service which makes all of these tasks even easier and more flexible, through an interactive drop-point service and a website where users can request more than 20 different services, with the benefit of being able to deliver and collect at the most convenient time.

Access to these services is built into the My Benefits platform, on the corporate Intranet. Leadership and talent programmes have helped promote professional development and training, strengthening the human potential of the company.

### Compensation and remuneration

Naturgy's remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. There are two models:

- The remuneration level of employees included in the collective bargaining agreement depends on the professional group and subgroup to which they belong.
- For those employees not included in the collective bargaining agreement, it is established on an individual basis according to the remuneration policy approved by the Board of Directors' Appointments and Remuneration Committee.

The remuneration package of Naturgy employees is supplemented with a social benefits system, which includes a pension plan, the main vehicle of funding post-employment commitments.

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.

The plan currently has assets totalling more than 500 million euros, distributed among more than 6,300 active employees, and close to 2,000 beneficiaries.

On the international stage, the group's retirement policy at all companies revolves around retirement savings instruments and coverage for death or incapacity while an active worker. These provide employees with benefits that complement the public systems of social security and are always introduced in accordance with the particular nature and needs of the social welfare issues of each country.

By the same token, the company provides a series of social benefits that supplement employee remuneration packages, irrespective of their type of workday.

### Internal communication with employees

The purpose of Naturgy's internal communication is to assist compliance with the company's strategic goals, aligning the entire organisation and strengthening corporate culture and values.

Naturgy has a range of channels to disseminate these messages, such as the corporate Intranet, Naturalnet, and the magazine Natural, which is distributed internationally and the social network Yammer. In February this year the company set up a new channel, Naturalnews, which operates as the digital newspaper of Naturgy and provides information on the company's latest news.

### Labour relations

Respect for the freedom to join a union; fundamental rights; collective bargaining, and the agreement culture represent the key principles of what we do. Furthermore, we respect workers' representatives freely elected in all countries where the company operates, and we have also introduced communication channels with these representatives as a major part of our corporate action principles.

The collective bargaining agreements include several communications channels with representatives, under the form of committees to deal with the many and varied aspects of general interest.

One of the mechanisms for consultation and employee participation are the regular health and safety meetings held in all areas of the company. This means that all employees have a channel of direct participation available to them through the joint meetings between management and employees, and 100% of the workforce is represented at meetings.

It should be noted that the holding of these meetings is to not replace the various health and safety committees required under labour legislation and which correspond to each country. The main issues, formerly dealt with during 2018 of these kinds of meetings with the workers' representatives, were:

- Health and safety commitment.
- Analysis of the accident rate.
- Launch of new regulations.
- Comprehensive health.
- Quarterly monitoring of measures.

## **6.6. Health and safety**

### **What does it mean for Naturgy? Risks and management approach**

Naturgy plans and carries out its activities with the firm belief that nothing is more important than health, safety and well-being of people. In this regard, the company's 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 as well as promoting health and well-being.

A company with a high accident rate or which does not look after the health of its employees has to face the costs associated to the absence of these or to a reduction in its productivity. Furthermore, it could have a negative influence on attracting and retaining talent, as well as the perception of the company by its stakeholders.

### **What is our commitment?**

- Guarantee that health and safety are non-delegable individual duties, and that they are taken on by senior management through a visible collective commitment, proactively accepted and implemented by the entire organisation, and by our suppliers and collaborating companies.
- Establish health and safety as an individual responsibility and as a condition of employment at Naturgy and of the activity of its collaborating companies.
- Ensure that any potential risk situations that may affect employees, suppliers, customers, the general public and the safety of facilities are brought to attention, assessed and managed in the appropriate manner.
- Work to maintain a risk-free working environment by integrating prevention of occupational risks and the protection and promotion of health and well-being.
- Establish learning as the driver of a safety culture, by means of ongoing training, accident and incident analysis, the dissemination of lessons learnt, education and the promotion of health.
- Incorporate health and safety criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and collaborating companies, non-compliance with which will condition the commencement or continuity of their activity.
- Invest in new strategies of health education and health promotion, which allow the workplace to become the vector of transmission of healthy conduct for workers and their environment.
- Implement measures targeted at improving the quality of life, well-being and health of people within the communities where the company operates.
- Provide the resources and necessary means to enable compliance with established safety standards at all times.

### **How do we measure our performance?**

## Accident indicators

	2018		
	Total	Men	Women
Accidents requiring sick leave (Nº of employees)	28	25	3
Days lost	1,524	1,497	27
Mortalities	-	-	-
Frequency rate	1.00	1.30	0.35
Severity rate	0.055	0.078	0.003
Incidence rate	1.99	2.58	0.69

It does not include the information of Moldova, Kenya and South Africa. The accident rates including Moldova and South Africa are: No. of accidents with sick leave: 34, Days lost: 1,745, Mortalities: 1, Frequency rate: 1.138, Severity rate: 0.058, Frequency rate: 2.204.

## Occupational illness

There have been no occupational illnesses registered in 2018

## Absenteeism

	Lost Hours <sup>1</sup>
Spain	382,147
Chile	250,980
Argentina	33,912
Brazil	15,749
Colombia	3,160
Costa Rica	813
France	3,836
Kenya	1,072
Morocco	2,899
Mexico	9,840
Moldova	33,415
Panama	8,790
Peru	152
Dominican Republic	3,184
South Africa	54,720
Uganda	313
<b>Total</b>	<b>804,981</b>

<sup>1</sup> We have considered the hours of absenteeism for occupational illness and non-occupational illness, and the total number of hours worked in 2018 was 30,010,519.

## What are our main milestones in 2018?

- Launch of the predictive health and safety analysis tool DaVis (Data Visualization).
- Introduction of the “Meeting Point” two-way information exchange channel with suppliers and collaborating companies.
- Launch of the security of consumers and communities management programme “Spear”. The implementation of the new management model of health and safety training in the global scope of the company.
- Plan to assist employees while they are on sick leave.
- Consolidation of the healthy business model in countries already certified.

## What are our goals for 2019?

- Horus: multi-factor analytical preventive analysis.

- Integra: exchange of best practices and learning through collaboration with collaborating companies.
- Kepler: ongoing innovation applied to prevention.
- Optimise the approach to cases of colon cancer.
- Optimise the approach to osteomuscular injuries.

## **Analysis of the 2018 results**

### Health and Safety Strategy

Safety as strategy guides the way in which Naturgy operates. Health and safety are key parts of the company's business strategy, which is referred to as the "Health and Safety Commitment", one of the major undertakings established in the Corporate Responsibility Policy. A common culture has been achieved in which all levels of the company, spearheaded by the Board of Directors, have acquired a firm commitment to continuous improvement in this area.

The preventive culture of health and safety at Naturgy has consolidated itself thanks to the evolution in 2018 of the "Health and Safety Commitment" throughout the company. The actions at all levels of the organisation are based on the motto "nothing is more important than health and safety".

Since 2017, the health and safety strategy has revolved around four pillars, leading to the development of different strategic objectives and goals to be achieved. The four pillars are:

- Consolidating health and safety as a strategic lever to align and to capture efficiencies.
- Maintaining Naturgy as a worldwide benchmark in health and safety issues.
- Drastically reducing the accident rate at collaborating companies.
- Implementing the commitment in all countries where the company will have a presence.

The Health and Safety Commitment Plan, implemented between 2012 and 2016, involved overcoming the implementation stage until we were able to reach the "Health and Safety Commitment".

First of all, we analysed the initial situation, which allowed us to characterise the integration and management of the company's commitment. Next, we established responsibilities for each one of the defined work areas and strengthened the management and dissemination tools. All this involved a major impulse for the new health and safety culture.

The definitive consolidation of the plan came about in 2016, with the "Health and Safety Commitment". Achieving the commitment has involved integration of health and safety as an ongoing and stable value, taken into consideration by everybody that makes up the organisation.

This new approach has closed a cycle whose driving force has been the ongoing improvement into the daily life of the company, the increased efforts to achieve the desired objectives and the proposal for innovative initiatives.

These new steps of the strategy maintain the four lines of action of the "Health and Safety Commitment": leadership, employees, collaborating companies, and facilities and processes, each one of which has its own "network" charged with spearheading development. Furthermore, the transversal networks continue working in the quest to provide support in areas such as communication, systems, training and corporate aspects.

The cultural change has served to transfer the company's principles of health and safety to daily activity, and it reaches our collaborating companies and any new businesses that join Naturgy.



## Health and safety leadership

Leadership is considered the driver of cultural change in the company. This means efforts have to be made at all organisational levels, and promoted by the management, with a visible, solid and firm commitment in taking all decisions, with health and safety paramount at all times. Naturgy's commitment to the target of zero accidents is strengthened through the involvement of senior management in the management of safety in all activities.

Senior management and the various committees have the tools necessary and the power to control and apply the appropriate measures in the event of any sign or anomaly concerning safety issues in all activities and geographies.

## Risk prevention

To ensure safety in the activities of Naturgy, measures aimed at preventing accidents and incidents have been introduced. Risk prevention is a key factor that governs business leadership and is supported on these principles:

<b>01</b>	Nothing is more important than health and safety >	...not production, not sales, not profits.
<b>02</b>	All accidents can be avoided >	... there are no inevitable accidents.
<b>03</b>	Safety is Management's responsibility >	... and it must be managed as such.
<b>04</b>	Safety is an individual responsibility >	... and a condition of employment, and of procurement for collaborating companies.
<b>05</b>	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.

This is the commitment of Naturgy and also the one that must be shared and applied by its collaborating companies.

Furthermore, we have also developed mechanisms to learn from events that occur and to avoid them in the future. These actions revolve around the main cultural axes of the company's health and safety, the cornerstone of its commitment.

## Risk assessment and management mechanisms

The process of occupational risk assessment aims to estimate the magnitude of those risks that could not be avoided. In these cases, the company obtains information for the adoption of effective preventive measures.

Naturgy uses a general procedure that applies to the entire group and which establishes the guidelines and principles to be followed for the identification, assessment and control of occupational risks. The following review periods are established:

- Risk assessments every three years.
- Yearly checks of the health and safety conditions.
- Monitoring of preventive measures to be introduced as a result of the risk assessment and regular checks every quarter.

## Prevention of risks at collaborating companies: suppliers, contractors and subcontractors

Naturgy acquires the undertaking to provide a safe working environment not only for its employees but for all those who make the activity of the company possible.

For this reason, the growth of involvement of the collaborating companies within the health and safety culture has been essential.

Safety is an indispensable condition of procurement for all collaborating companies and is taken into consideration in the assessment and award of tenders and bids. Furthermore, the criterion of red lines that cannot be crossed is applied, and if this rule is broken the contract can be terminated or the supplier's approval withdrawn.

Naturgy develops other mechanisms designed to ensure that the safety level of collaborating companies is the same as for its own staff. In recent years an impact plan has been introduced for all collaborating companies of Naturgy. Among other things, this plan encompasses site inspections, the introduction of training itineraries, the application of Preventive Safety Observations, the creation of check-lists prior to commencement of works and the planning of coordination meetings.

## Training and awareness

The training of each employee in the prevention of occupational risks and industrial security associated with their job is the basic tool for achieving the target of reducing the number of occupational accidents. To provide adequate training, the company receives support in management from the Occupational Risk Prevention Classroom, a tool that the Corporate University has in order to comply with the goals established.

## Certifications

As included in the strategic lines of the commitment, the certification according to health and safety standards enables consistency and standardisation of working conditions at Naturgy.

The company has a Global Certification Plan for the Occupational Health and Safety System; its aim consists of achieving global certification according to the OHSAS 18001 international standard. For its fulfilment, multi-discipline working parties were created as advised by the Prevention Service.

## Safety audits and process diagnostics

To verify compliance with the country's prevailing rules and regulations, Naturgy has conducted safety audits of the company's different technical processes, of the technical procedures introduced by the group and the own internal regulations of the business unit.

To contribute value to the business lines and to assist in the ongoing improvement of processes, there is monitoring and control of the operational risks concerning technology, accidents and malfunctions and impacts on the environment, and of the relevant management parameters.

As regards diagnostics, these are conducted on technical processes and on request by the different business units. The aim is to show the degree of control of the business, the monitoring mechanisms and, if anomalies are found, the appropriate actions for correction can be carried out.

## Safety among customers and society

Naturgy conducts accident prevention campaigns for customers of the company, through giving advice that is communicated through the global communication channels.

Additionally, the company uses the bills as a direct communication channel with customers. The company uses the bill as a way of introducing, *inter alia*: campaigns to raise awareness and information on specific actions concerning situations of risk, and campaigns that explain good use of devices and the maintenance of these.

Health

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make available to employees, their relatives, collaborating companies, customers and the social environment in which the company operates, a global, health and welfare strategy that encompasses everything necessary for their benefit, both with regard to prevention, promotion and health care, in a customised way, as well as training and information with regard to healthy habits, taking into account both individual needs as well as the particular circumstances of each country.

Master Health Plan

This plan defines the strategic guidelines and establishes the general framework for action of Naturgy in the field of healthcare, ergonomics and psychosociology. The responsibilities under the plan correspond to each and every one of the business areas and countries within the group. In addition, comprehensive medical and health assistance services act as advisers for the development, monitoring and control of the plan in each of the areas.

<b>Master Health Plan targets</b>	
Standardised actions	Ensuring the health of workers, developing standardised actions respecting differences inherent in each country.
Compliance with regulations	Monitoring compliance with the relevant regulations to each area in health.
Development of activities by external collaborators	Coordinating the development of activities by external collaborators and establish monitoring and control measurements.
Definition of indicators	Defining the indicators necessary to assess the implementation and development of the Master Health Plan, as well as all of the involved activities.
Continuous training	Ensuring continuous training of professionals in the activity, information about the latest technological developments and promoting creativity for innovation.

**6.7. Supply chain**

**What does it mean for Naturgy? Risks and management approach**

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

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

The risks to the company extend beyond its activity, as it can be severely impacted by the inadequate performance of its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption.

## What is our commitment?

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

## How do we measure our performance?

	2018	2017
Total number of suppliers	8,670	9,877
Total purchase volume awarded (millions of euros)	3,147	3,428
Number of ESG assessed suppliers	6,906	4,758
Number of critical suppliers	2,584	2,457
Official-approval suspended suppliers	1	7

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.

NB: 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.
- Operators 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.

The development of this activity essentially takes place in the following geographical areas: Argentina, Australia, Brazil, Chile, Costa Rica, Spain, Kenya, Morocco, Mexico, Moldova, Panama, Peru, Dominican Republic and South Africa.

The evolution of data with regard to 2017 reveals a decrease in the purchase volume, number of suppliers and number of suppliers assessed. The decrease of the purchase volume is fundamentally due to the divestment in Italy, in some companies in Colombia (those that represented the highest volume) and to a lower business volume in Mexico (Euros -135 million) and Australia (Euros -85 million). In general, there has been a decrease in the remaining countries except Chile, which in 2018 contributed a higher amount (Euros 160 million more) through business growth.

As regards the number of total suppliers and suppliers assessed, the change is due to the removal of Italy and the companies in Colombia, and the increase of critical suppliers is due to the entry of new suppliers in Chile through business growth generally associated to critical activities.

## What are our main milestones in 2018?

- Conducting audits at suppliers of any country of the group with the highest purchase volume in activities with a high ESG risk.
- ESG audits conducted with tier-2 suppliers.
- Review of the ESG risks matrix.

## What are our goals for 2019?

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

- Introduction of the updated risk matrix throughout the group.

## **Analysis of the 2018 results**

### The supply chain of Naturgy

Suppliers, contractors and outsourced partners are key players in the optimal functioning and sustainable management of the value chain, demonstrating Naturgy's commitment as an efficient, responsible and innovative company, in a process of continuous improvement that guarantees safety, reliability and competitiveness of the supply chain.

In 2018, Naturgy set up trade relations with a total of 8,670 suppliers which accounted for a total expenditure of Euros 3,147 million.

Naturgy 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 the company's policies, rules and procedures, as well as internationally recognised principles of good governance, ensuring a uniform, efficient and sustainable model.

The main goals of Naturgy in terms of sustainability with respect to the supply chain are:

- Extend the corporate culture to the supply chain in a sustained way, passing on the objective of excellence in service.
- Guarantee sustainable management of the supply chain in an ongoing way, safeguarding the group's reputation.
- Promote continuous improvement and drive the development of suppliers by identifying opportunities for collaboration and innovation.

The values transmitted:

- Transparency: guaranteeing fairness, independence and free competition.
- Integrity: we commit to acting with honesty, fairness, dignity and morality.
- Sustainability: the strategic horizon for our activities goes beyond immediate economic interests, contributing to economic, environmental and social development.
- Commitment to results: we develop plans, fix objectives and make decisions that comply with the objectives of our Vision, assuring compliance with the commitments made.

## Management of the supply chain

### Purchasing model

The Purchasing and Supplier Management Model introduces a management process with unified and overarching criteria for Naturgy's entire scope of operations. The corporate unit is responsible for defining the policy, general principles and the model of application and for ensuring compliance. The business units develop, implement and ensure traceability of the processes of contracting and management of suppliers, applying the established principles.

We encourage the aggregation of demand in purchases in which there is a single supplier market that covers most of the group's business needs and countries. In the remaining cases, the contracting of suppliers from the country or region where the company performs its activities is encouraged, supporting the generation of a positive social impact through the creation of wealth and investment in the local community, generating economic inclusion in the company's spheres of influence.

### Transparency in purchasing

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

The use of secure electronic means, the Jaggaer Advantage platform, for management of all bids brings greater transparency to the procurement process and ensures information traceability. In addition, communication channels have been established with the supplier that facilitate access to all the information necessary for their participation in the procurement processes.

Naturgy actively participates at associations, national and international fairs on supply chain management. In this regard, the company is member of the Association Representing Purchasing and Materials Management Professionals in Spain (Aerce) and RePro in Argentina, Brazil, Chile, and Spain.

Furthermore, the company subscribes to the worldwide Procurement Leaders network and in 2018 took an active part in the CPOnet Congress.

### Human rights at suppliers

Naturgy has a Human Rights Policy that extends to the supplier's Code of Ethics, thus transferring to the supply chain the commitment to protect Human Rights within their sphere of influence, especially since international growth has led us to operate in some environments where their protection takes on special relevance

### Supplier Code of Ethics

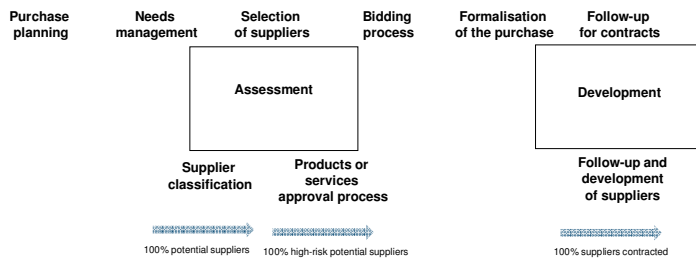
Naturgy is keen to extend the corporate culture to the supply chain, ensuring that collaborating companies comply with the principles set out in the Supplier Code of Ethics, which all group suppliers have to adhere since 2016.

### Reporting Channel

All suppliers, contractors and outsourced collaborating companies of Naturgy that wish to report a violation of the Code of Ethics that they may have observed in the exercise of their functions may contact the Code of Ethics Committee through the email address published in the Naturgy Supplier's Code of Ethics.

### Supply chain management process

In order to promote responsible management in the supply chain, Naturgy has a comprehensive purchase process, with application of unified and universal contractual conditions for the company's entire sphere of operation and which is publicly available on the Naturgy website "The group's general procurement conditions" and where supplier management is of vital importance.



### Risk management of the supply chain

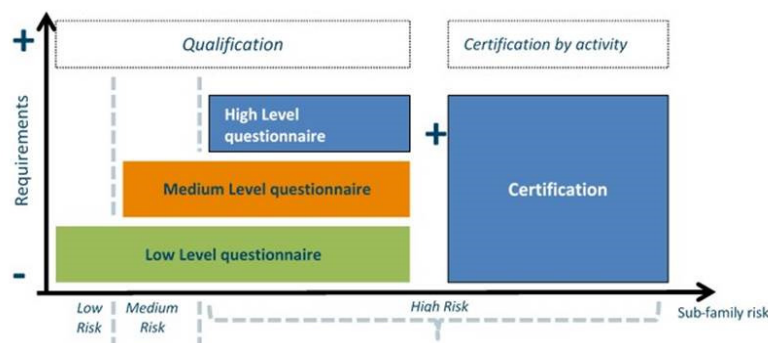
The risk factors of the supply chain are elements, conditioning factors or situations inherent to the same and which are considered significant in achieving our goals.

#### Risk factors assessed:

- Health and safety: this measures the potential risk of an incorrect action, service and/or product fault with regard to the life or physical integrity of persons.
- Quality: the impact that breach by the supplier with regard to the expected or agreed quality levels would have at Naturgy.
- Environmental, social and corporate governance (ESG): this measures the existing risk of purchasing products or contracting services that are not environmentally friendly, which are manufactured or generated under socially unfair conditions, or using labour practices that are ethically incorrect. Naturgy performs “responsible purchasing” through a management process that encourages the acquisition of products and services that are environmentally friendly, and which are manufactured under socially fair conditions.
- Operational risk: the potential impact on operations incurred by Naturgy as a consequence of a lack of continuity in the supply of a good or service by suppliers that have been awarded contracts.
- Legal risk: possibility of infringements and breaches by providers of laws, rules and practices that apply to them.

### Assessment of suppliers

Assessment of suppliers is introduced in the processes of Business Classification of suppliers and Approval of suppliers and products.



With the risk evaluation of the purchase categories that are managed worldwide and assessing the risks of the 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.

Suppliers with a high level of risk in any of the assessed risk factors associated with the purchase categories they supply will be considered by the company as critical suppliers.

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.

#### Supplier 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 Naturgy.

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.

#### Official approval and management of supplier quality

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

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

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

Products corresponding to critical categories may be subjected to inspections, technical acceptances or FAT at the production centres before the material is shipped.

Every year approval plans are drawn up to audit suppliers in-situ. These approvals are for an open-ended period depending on the critical nature of the service or product and the purchase volume.

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.

The corrective action plan identifies the development actions and corrective actions to be introduced to achieve compliance with the requirements and standards established by the company.

During 2018 one supplier was suspended and disqualified from holding a contractual relationship with Naturgy for significant breaches related to security, quality and other aspects.

#### Monitoring, follow-up and development of suppliers

The Supplier Code of Ethics sets out that suppliers must take the utmost care to preserve the image and reputation of Naturgy in their professional actions and to monitor the respect and proper use of Naturgy's image and corporate reputation by its employees and that of its subcontracted companies.



In addition, other analyses based on reputational risk and corporate social responsibility are carried out with suppliers assessed as suitable at the high-risk level.

In 2018 no supplier was disqualified on the grounds of fraud or unethical practices.

Performance follow-up is carried out on the most relevant suppliers with a contractual relationship with the company and this involves carrying out surveys with the Naturgy units to measure their level of satisfaction with the suppliers.

Regarding the development of suppliers, one of the most important aspects is to extend Naturgy's culture to the supply chain, performing actions that allow the company's values to be transferred.

During 2018, Naturgy continued to form part of Bettercoal, an initiative launched by the main European utility companies for the purchase of coal from suppliers that comply with a series of social, environmental and corporate governance criteria, and was represented on its Board of Directors. Over the year, 94% of coal purchased by Naturgy was from mines that had agreed to follow an evaluation process with regard to these criteria.

## **6.8. Commitment to society**

### **What does it mean for Naturgy? Risks and management approach.**

Naturgy is committed to the economic and social development of those regions where it performs its activities, providing expertise, management capacity, as well as spending part of its profits on social investment. Fluid and ongoing dialogue with society enables to be aware of the expectations and interests of those communities where it operates and thus be able to involve itself in their development.

Inadequate management in access to energy can cause significant costs through non-payments and theft of electricity. By the same token, depriving vulnerable groups from receiving energy could have an impact on the company's reputation.

The lack of involvement and participation with local communities and their needs in those territories where the company operates could result in rejection and unease in the community, which could lead to lobbying for the company to cease its operation in these territories.

### **What is our commitment?**

- Guarantee fluid and two-way dialogue and to encourage involvement in local communities, respecting the culture, rules and the environment, so that their concerns are responded to appropriately and expeditiously.
- Assess the social impact that the company's activity could cause, to avoid or mitigate the adverse effects these could generate and to foster positive effects.
- Develop initiatives to create shared value and to have a positive social impact in energy projects.
- Promotion of education, cultural wealth, health, research and the inclusion of the more underprivileged collectives through social investment.
- Transfer knowledge and values to society through partnership agreements with the academic community and the supply chain.

### **How do we measure our performance?**

#### Sponsorship and social action investment

	<b>Million euros</b>
Sponsorship and social action investment	11

## What are our main milestones in 2018?

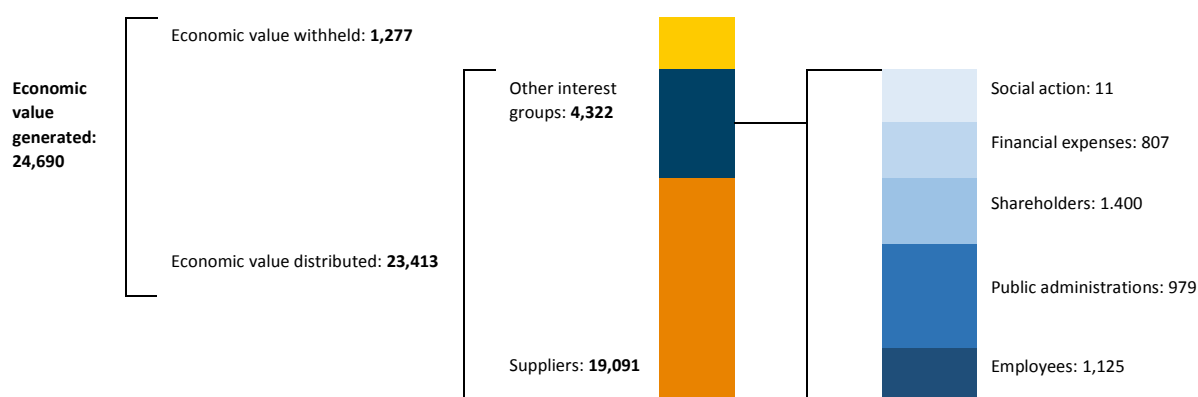
- Launch of the Energy Vulnerability Social Fund.
- Review and update of the General Regulations on Sponsorship and Donations.
- Launch of actions to support dissemination of the Vulnerability Plan and the promotion of energy efficiency.

## What are our goals for 2019?

- To continue promoting the Energy Vulnerability Plan
- Approval of the General Procedure of Sponsorship and Donations and its introduction in all countries and societies.
- Smart energy and mobility to improve air quality

## Analysis of the 2018 results

### Economic Value Distributed. Detail by group of interest (euros million)



### Sponsorship and social action investment

Economic contributions to social investment and sponsorship programmes are another important part of the Naturgy commitment. In 2018, they totalled 11 million euros.

The aim of the company is to generate a higher corporate commitment to society of which it forms a part. The programmes to which these resources are therefore allocated form part of the business development strategy.

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

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

1. Energy vulnerability

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.

The company has extensive experience in this regard. Accordingly, the project carried out at Cuartel V in Argentina or the CGE group agreement in Chile made it possible to provide access to clean and reliable energies to tens of thousands of people.

### Energy Vulnerability Plan in Spain

During 2018, Naturgy, together with the Foundation, continued the development of the Energy Vulnerability Plan throughout Spain to protect vulnerable customers. The plan has become a new core focus; the actions to mitigate energy poverty are now a priority for the Foundation

The objectives of the plan are:

- Improve 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 vulnerability.
- Implementing activities with associations that work to alleviate energy poverty cases and to detect vulnerabilities.

During this year there have been three new initiatives

- Creation of the Energy Rehabilitation Solidarity Fund, to finance improvements at vulnerable homes through donations from individuals and a contribution from the Foundation.
- Job Circle project: commencement of a training course to refurbish 15 homes, performed by long-term unemployed persons with an undertaking from the companies to recruit 25% of course participants.
- Social entrepreneurs: we have strengthened the corporate volunteer programme with this initiative, the purpose of which is to enable Naturgy employees to encourage initiatives promoted by not-for-profit organisations and which are related to energy (energy poverty, energy efficiency) and the environment.

## 2. Relationship with communities

Naturgy, under its Human Rights Policy, makes a firm commitment to the respect of local communities. To achieve this commitment, the social impact that the company activities may have on affected communities and contributing to improving the living conditions of these communities are key aspects.

Naturgy has a method based on the Measuring Impact methodology of the World Business Council for Sustainable Development (WBCSD) and the aim is to define initiatives and programmes for the effective management of social impacts associated with the company's business.

The company bases its relationship with communities on the following principles:

- Identifying communities affected by the company's activity and finding out their needs and aspirations.
- Analysing the potential environmental and social impacts that its activity could cause in the communities, using the social impact assessment methodology designed for this purpose.
- Reporting to, and inviting participation from, the community at the different stages of the project through a consultation procedure that enables us to listen to their concerns and questions as well as benefit from their contribution.
- Incorporating the opportunities identified through dialogue with the communities and which encourage sustainable development of the community into the impact assessment studies.
- Introducing a system of communication and relations with communities that ensures that these communities receive project information in a clear, updated and efficient way.

The company currently prioritises the performance of social impact assessments in those locations where the company is looking to carry out new investment projects. These assessments serve to measure numerous impacts (positive and negative) that the company may produce as a consequence of its activity, both in local communities as well as in the territory. These include:

- Impact on human rights.
- Displacement or relocation of local communities.
- Modification to the traditional ways of life.

- Changes in the traditional uses of territory.
- Attracting new technologies.
- Creation of skilled and unskilled jobs.
- Temporary occupation of the communication routes.
- Impact on landscapes.
- Noise.

The most prominent projects in this sphere are:

- Bujagali hydroelectric power station (Uganda): with local procurement programmes, development of suppliers, health and prevention, training and the fight against energy poverty.
- Bif Hioxo wind farm (Mexico): with actions to support fishermen, improve highways and delivery of material, support to the fire brigade, health campaigns, improved education infrastructures, support to culture and technology and guided tours of the wind farm.
- Nairobi thermal power station (Kenya): with education support programmes, health campaigns, environmental protection and promotion of art and local culture.
- Torito hydroelectric power station (Costa Rica): with support to local schools with the supply of academic material. As well as improvements along the local roads surrounding the power station.
- La Joya hydroelectric power station (Costa Rica): with support to local schools with the supply of academic material.
- CGE (Chile): development of a plan to encourage relations with social organisations to foster their links with neighbourhood councils, through participatory meetings.

During 2018 we started implementation of the Quilombola Basic Environmental Project (QBEP), associated to the Sobral I photovoltaic plant in the municipality of São João do Piauí (Piauí, Brazil) as a measure to mitigate and offset the impacts this facility could cause in the local communities of the territories of Riacho dos Negros and Saco/Curtume. To carry out this project, we mobilised a social manager responsible for channelling ongoing communication between the company and the local community, supporting the introduction of the measures developed in the QBEP.

The project involves 4 action lines and 12 activities, of which the following have been implemented this year:

- Mobilisation of the social technical team required to undertake ongoing communication with the community, and introduction of the QBEP measures.
- Meetings and workshops to disseminate and gather information.
- Collection of information about wells in the region that could be improved with the set-up of a solar pump kit.
- Collection of information on the needs and expectations of technical and higher training for young people in the region.

### 3. Social action

In 2011, when the Latin America Operational Centre was created, pillars were established, and social investment programmes designed for unified development in all countries where the company has a presence.

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**Types of COIL projects**

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**Inclusive business**

Projects that promote the inclusion of the most disadvantaged social sectors through inclusive programmes. For this project type, we continued with the programme called Energy of Flavour, launched in 2016, which aims to promote social inclusion of disadvantaged groups through training linked to gastronomy.

Through the Training Classrooms programme we offer a training workshop on the ceramics technique which since last year has integrated persons with mild intellectual disability.

**Responsible consumption**

Encompasses projects targeted at providing knowledge about energy in general, safety and efficient use, of both gas and electricity. They also promote environmental stewardship among customers and society. As part of this pillar, the following traditional programmes were carried out:

- Responsible Consumption of Gas, in versions for children and adults.
- Responsible Consumption of Electricity, in versions for children and adults.

In 2018 we created the Sowing the Future programme through which we created a vegetable garden at a school in Buenos Aires together with the students. To achieve this, the students were trained and instructed in the acquisition of expertise and the development of theoretical and practical skills to be able to set up the vegetable garden and maintain it over time.

This pillar promotes projects that foster the studies and access to employment for the children and relatives of collaborators:

**Talent promotion**

- The "Planning your Future" programme provides a financial grant for those who are starting college.
  - "Natural Vocation" seeks to contribute to the vocational and professional decision process that relatives of collaborators go through.
  - "Summer Internship", offers the possibility of work experience in the company in the summer months.
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#### 4. Sponsorship, patronage and donations

The resources assigned to cultural, social and environmental programmes pays special attention to those community projects that generate greater value for society, while also strengthening the company's commitment to positive integration in each community and country where the group operates.

Through the General Regulations on Sponsorship and Donations of the company, the general management principles are established for sponsorships and donations by the company and to define the processes that regulate and control its development. Similarly, activities related to sponsorship and donations are subject to a process of 100% transparency. The regulations also provide priorities, which can be summarised in social action, culture and energy, and the environment.

- Educational initiatives: Naturgy carries out educational activities for young people on the correct use of energy and sustainable development. By the same token, the company implemented a wide range of collaboration, participation and sponsorship initiatives with different educational entities in Spain and Latin America.

- Social action focused on underprivileged groups: the company drives, and support projects targeted at integrating the most vulnerable social groups and to mitigate problems stemming from social exclusion. It therefore collaborates financially with foundations and associations whose corporate purpose is to help mitigate or minimise these problems in some of the countries where it performs its activity.
- Promotion of health and research: among the different programmes in which Naturgy participates to promote research and health, we can highlight research targeted at improving the life quality of the infirm and their relatives, or research into cardiovascular diseases, which are the leading cause of mortality worldwide, through the Procnic Foundation, as well as with other international entities.
- Promotion of music, theatre and films: Naturgy maintains its undertaking to contribute towards the development of culture that goes beyond its business activity and which involves extensive sponsorship work in initiatives that generate high value for society. We sponsor musical cycles and artistic seasons of different institutions throughout the territory.  
The company's support to the Gran Teatre del Liceu and the Teatro Real have been strengthened with twin celebrations declared to be "events of exceptional public interest".

### Corporate volunteers and employee participation

Through corporate volunteering, Naturgy aims to promote social cohesion, values and a spirit of solidarity.

To achieve this, Naturgy has defined the programme objectives in three areas simultaneously -corporate, employees and the environment-, and an integrated structure of committees that includes both the areas of people as well as communication and the environment of all countries that form part of the programme.

During 2018, the company has promoted environmental, social and energy volunteer actions, in which employees contributed their time and their personal and professional skills.

### Naturgy Foundation

The Naturgy Foundation, founded in 1992 by Naturgy, and with a presence in those countries where the company is active, 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 2018, the foundation continued to provide seminars on energy and the environment in Spain, as well as presentations of the book *Air quality in cities. A worldwide challenge*; taking advantage of the presentations to give temporary exhibitions about air quality in Barcelona and Guadalajara. There was also an exhibition about "Smart Ports" in Málaga. One new item this year has been the commencement of two new action lines as part of the "energy and technology" and "smart energy and mobility" sphere.

In 2018, to once again drive its educational activity and provide access to its teaching programme throughout the territory, the Foundation turned the Gas Museum into a travelling one. This allowed us to multiply the Foundation's participation throughout the year in a great many anniversaries related to education of technology in the energy sphere, through innovative and flexible agendas adapted to all kinds of audiences.

The international activities of the Foundation were developed in seven countries: Algeria, Argentina, Brazil, Chile, Morocco, Mexico y Panama.

## 6.9. Integrity and transparency

### What does it mean for Naturgy? Risks and management approach.

Naturgy considers that the trust of its stakeholders is based on integrity, which is understood to be action which is ethical, honest, responsible and in good faith of each one of the people who work in and for the group.

To respond to the risks related to integrity and transparency, Naturgy has developed a series of mechanisms that introduce the guidelines that are to cover ethical and transparent behaviour of the directors and employees of the company and their daily performance, as set out in the Code of Ethics, the Anti-Corruption Policy, the Human Rights Policy and the Fiscal Policy of Naturgy.

Corruption, fraud and bribery can have a major impact for the company, leading to sanctions imposed by the administrations, loss of contracts, legal consequences, loss of customers and loss of reputation that could also see investors disappear or the non-purchase of shares by investors that consider these aspects in their investment decisions.

### What is our commitment?

Reject corruption, fraud and bribery in business dealings and establishing measures to prevent and combat them, developing internal channels allowing communication of irregularities while preserving anonymity.

Comply with national and international laws and standards in force in which the company operates, in particular, abiding by the principles expressed in the United Nations Universal Declaration of Human Rights, in the Declaration of the International Labour Organisation (ILO), in the United Nations Global Compact, in the United Nations Guiding Principles on Business & Human Rights, and the OECD Principles of Corporate Governance.

Act with responsibility in management and complying with fiscal obligations in all jurisdictions in which the company operates, undertaking to act transparently and collaborate with tax authorities.

Compete fairly on the market and prevent misleading, fraudulent or malicious conduct through which the company could obtain an unfair advantage.

Promote transparency in information and responsible, truthful, efficient, complete and timely reporting, with regular publication of financial and non-financial information to measure the company's activities.

Maintain, at all times, permanent dialogue with stakeholders through adequate and accessible channels.

### How do we measure our performance?

#### Queries and notifications to the Code of Ethics

	2018	2017
Queries	76	37
Notifications	123	104
<b>Total</b>	<b>199</b>	<b>141</b>
<b>No. of messages received per 200 employees</b>	<b>3.18</b>	<b>1.67</b>

### What are our main milestones in 2018?

- Analysis, content design and drafting of the Conflict of Interest Policy.
- Launching of the Compliance Communication Plan (Campaign “Compliance Café”).

## What are our goals for 2019?

- Approval and dissemination of the Conflict of Interest Policy.
- Update of the Corporate Responsibility Policy.
- Audit the implementation of the Human Rights Policy.
- Approval of update of the Human Rights Policy text to concepts and terminology of the United Nations Guiding Principles on Business & Human Rights.

## Analysis of the 2018 results

### Code of Ethics Management Model

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. The principles for the company's employees are related to corruption and bribery, respect for people, professional development, equal opportunities, relation with collaborating companies, occupational health and safety, and caring for the environment, among others.

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.

In addition, Naturgy has an Anti-Corruption Policy, which establishes the principles which must be used to guide the conduct of all employees and administrators of the companies of the group with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

The company also has a Code of Ethics and an Anti-Corruption Policy Management Model, headed by the Compliance Unit, whose targets are to ensure the knowledge, application and fulfilment of the code.

This model also provides that the Audit Committee of 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. The Ethics and Compliance Committee, which in 2018 has fully assumed the functions that were previously performed by the Code of Ethics Committee, is responsible for supervising the dissemination and compliance with the Code of Ethics and the Anti-Corruption Policy through supervision and control of the safeguard systems:

- Whistleblowing channel ( the "Code of Ethics Channel"), through which all the employees and suppliers can send the Ethics and Compliance Committee queries or notify breaches of the code, in good faith, in a confidential manner and without fear of reprisal.
- Annual declaration procedure: through which all the employees repeatedly declare that they have read, understood and comply with the code.
- Online courses: on the issues included in the Code of Ethics and the Anti-Corruption Policy, mandatory for all employees. Certain groups of employees also receive classroom training sessions on a range of issues in the sphere of regulatory compliance, which include the content of the Code of Ethics.

In 2018, 24% of the notifications received were related to alleged fraud, none of which had any significant impact.

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



A total of 24% of the notifications were related to the people management, and they were all solved appropriately.

In 2018, it was not necessary to repair damages relating to impacts caused by human rights cases.

In 2018, the work plan of the Ethics and Compliance Committee included:

- Project to improve the Code of Ethics Channel.
- Training and informative actions on the Code of Ethics, Anti-Corruption Policy and Corporate Hospitality Policy, targeted at the company's employees.
- Collaboration with the Supply Unit to introduce improvements in communications and supplier evaluation related to compliance with the Code of Ethics.
- Updating of the Code of Ethics.

The company has introduced local committees in countries where the company has the greatest activity. The main mission of these is to make everyone aware of the Code of Ethics and the Anti-Corruption Policy and to reproduce the functions the committee carries out in Spain in each country to cover the company's entire sphere of operation.

### Code of Ethics chapter to which notifications refers

	Queries	Notifications	Total
Respect for the law, human rights and ethical values	3	3	6
Respect for the individual	1	35	36
Professional development and equal opportunities	2	13	15
Cooperation and dedication	-	2	2
Occupational health and safety	-	2	2
Corruption and bribery	17	23	40
Use and protection of assets	-	3	3
Irregular payments and money laundering	-	-	-
Corporate image and reputation	2	1	3
Loyalty to the company and conflict of interest	30	13	43
Processing of information and knowledge	3	1	4
Customer relations	13	14	27
Shareholders relations	-	1	1
Relations with collaborating companies and suppliers	5	10	15
Respect for the environment	-	2	2
<b>Total</b>	<b>76</b>	<b>123</b>	<b>199</b>

### Crime Prevention Model

The company has a Crime Prevention Model which is updated annually. Thus in 2018, the model was subject to a process of adaptation to the new organisational structure in force at Naturgy.

The model incorporates the already established Naturgy internal control structure. Its purpose is to effectively prevent the occurrence of offences under the Organic Law 5/2010 governing the Amendment of the Penal Code. This modification introduces in Spain the criminal responsibility of artificial persons in cases in which they do not exercise due control over the systems of individuals subject to their authority.

The model contains 18 crimes that have been identified, together with definitions of their impact and probability of occurrence, mechanisms for their control and minimisation, and responsibilities with regard to their fulfilment.

Worldwide, the group has deployed crime prevention models in countries with laws governing the civil liability of legal persons.

During 2018, we have continued with the online training course mandatory for all employees on the Crime Prevention Model, the Code of Ethics and the Anti-Corruption Policy in order to emphasise the importance

of compliance, ensure implementation of preventive and control activities and to inform all employees of the current status in these matters.

#### Anti-fraud and anti-corruption policies and plans

Although fraud and corruption are covered in the crime prevention system, the company worked to improve and update its internal regulations and define specific protocols and mechanisms in this area.

The Naturgy Anti-Corruption Policy complies with national and international legislation on corruption and bribery.

This policy has the object of establishing the principles which must be used to guide the conduct of all employees and administrators of the companies of Naturgy with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation. It covers all the actions in this area and avoid conduct that may give rise to fraud or corruption and lead to situations that are damaging for the company, its administrators and employees from a legal point of view or in relation to its reputation.

The policy establishes 14 principles of action, including aspects such as promoting integrity and transparency in the processing of information, money laundering, conflicts of interest and relationships with third parties.

The focus of the Naturgy Anti-Corruption programme covers three key areas:

- 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. These plans and measures include the investigation of the episodes, the definition of solutions and the establishment of disciplinary measures.

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 administrators, employees and suppliers are given enough and appropriate information to act accordingly.

Some of these regular initiatives include the following:

- Update of the NaturalNet space which concerns the Code of Ethics and the Anti-Corruption Policy.
- Publication of information about the Ethics and Compliance Committee activities (notifications received, activities carried out, etc.).
- Training course on Crime Prevention Model, Code of Ethics and Anti-Corruption Policy.
- Specific training in relation to the Crime Prevention Model and Anti-Corruption Policy for new employees and administrators.
- Presentations in Boards of Directors and Management Committees of the Crime Prevention Model.
- Regular declaration of compliance with the Code of Ethics and Anti-Corruption Policy.

Likewise, Naturgy has introduced a Corporate Hospitality Policy, within the framework of the Code of Ethics and the Anti-Corruption Policy. The purpose of this policy is to regulate the conditions in which the directors and employees of Naturgy can accept/offer business courtesies from or to their business counterparts within the framework of performing their professional duties, to ensure effective compliance with the principles set out in the Code of Ethics and in the Anti-Corruption Policy of Naturgy.

The directors and employees of the group cannot accept or offer, whether directly or indirectly, business courtesies for the purpose of improperly influencing their commercial, professional or administrative relations, whether with public or private entities.

In 2018 there was a specific dissemination campaign concerning the Corporate Hospitality Policy, targeted at all employees and, in addition, one of the modules of the “Compliance Café” campaign carried out in the same year was exclusively dedicated to this Policy.

In addition, in all operations involving risk, the company conducts due diligence processes systematically, both for high-risk suppliers, and company relationships with third parties (partners, joint ventures, etc.).

The counterparty due diligence procedure aims to ensure that, across the board, reputational risk and corruption are analysed and assessed efficiently and in a standard way when third parties intervene in business relationships of the companies forming the group.

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

We can divide these measures into three control levels that seek to prevent, detect and, if appropriate, react to money laundering:

- Prevention: both the Naturgy Code of Ethics as well as its Anti-Corruption Policy have specific sections that expressly establish the prevention of money laundering as one of the principles that presides over the operations of the company and all of its employees. All Naturgy employees receive training on the content of the Code of Ethics, the Anti-Corruption Policy and the conduct guidelines that they must heed.

In addition, Naturgy has other more specific policies and procedures that establish a full series of controls in its day-to-day work and in the operations it performs, which encompass the prevention of money laundering. Key among these are the counterparty due diligence procedure; the general external procurement standard; the procedure on granting the signing level, or the internal control procedure for the processing of payments and cash movements, among others.

- Detection: some of the foregoing policies and procedures also allow the risk of money laundering to be detected.

Every year, those in charge of controls at Naturgy are subject to a self-assessment in the Crime Prevention Model on compliance with the same, including those where there is a risk of potential money laundering. In addition, to ensure efficiency of this model, it is reviewed regularly and audited every year by an independent expert.

Internal Auditing periodically reviews the different processes of Naturgy to detect possible breaches that may have occurred in the different operational risks. These reviews include checks of revenue and payments that may be subject to the risk of money laundering.

Naturgy also has an Internal Control System on Financial Reporting that is audited every year by an independent expert.

In addition, Naturgy provides both its employees as well as stakeholders with channels so they can report to the Ethics and Compliance Committee concerning any breach or irregular or suspicious conduct in this area. They can perform these communications through the website channel of the Naturgy Code of Ethics or through ordinary or internal mail. In addition, in accordance with what is permitted under new data protection legislation, these communications may be carried out anonymously.

- Reaction and response: Naturgy has an investigation and response protocol as well as a disciplinary system so that, if it becomes aware of any denouncement or irregularity it can introduce all measures within its reach to rectify this and, if appropriate, adopt the measures required to prevent future repetition. Furthermore, Naturgy collaborates with the competent authorities of each country in the fight against money laundering and the financing of terrorism, furnishing all the information they request in accordance with prevailing regulations. The company also reports any suspicious transactions.

## Fiscal policies

### **Tax policy**

#### Tax strategy and tax risks control and management policy

At a meeting on 9 January 2018, the Board of Directors approved the Tax Strategy and Tax Risks Control and Management Policy, which sets out the basic principles governing Naturgy's tax function and the main lines of action to mitigate and guide proper control of tax risks.

The basic principles governing Naturgy's tax strategy are as follows:

- Responsible compliance with tax obligations.
- A low tax risk profile.
- Adoption of tax treatments based on economic reasons.
- Transparency of tax information.
- Cooperation with the tax authorities.

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

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

All of Naturgy's tax policies are aligned with:

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

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

Naturgy also has a Risk Map that specifically identifies the tax risks and issues regarding the interpretation or application of tax law. The main matters with a tax impact are detailed in Note 21 "Tax situation" in the notes to the consolidated financial statements.

#### Tax havens

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

At 2018 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).

Buenergía Gas & Power, Ltd. (the company that indirectly owns a single industrial holding that engages in power generation using a combined cycle gas turbine in Puerto Rico (Ecoeléctrica, L.P.)), which was domiciled in the Cayman Islands and in which Naturgy holds a 95% stake, changed its domicile to Puerto Rico on 2 February 2018.

Gasoducto del Pacífico (Cayman), Ltd. (a dormant company acquired by the group as part of the CGE acquisition), which was domiciled in the Cayman Islands and in which Naturgy held a 52.2% stake, was liquidated on 12 January 2018 and dissolved and deregistered on 12 April 2018.

## Tax contribution

Naturgy gives priority to fulfilling its obligation to pay the taxes that are due in each territory in accordance with the applicable regulations.

Naturgy's total tax contribution amounted to Euros 3,268 million in 2018 (Euros 3,272 million in 2017). The following table shows the breakdown of the taxes actually paid by Gas Natural Fenosa in each country, segmented into those that represent an actual expense for the group ("own taxes") and those that the company withholds from or charges to other taxpayers (third-party taxes):

Country	Own taxes						Third-party taxes								Total	
	Income tax (1)		Others (2)		Total		VAT		Tax on hydrocarbons		Others (3)		Total		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Spain	62	112	621	537	683	649	1,056	845	409	342	270	228	1,735	1,415	2,418	2,064
Argentina	10	15	17	67	27	82	9	19	-	-	39	34	48	53	75	135
Brazil	52	51	46	67	98	118	73	74	-	-	13	7	86	81	184	199
Colombia	-	60	-	57	-	117	-	-	-	-	-	11	-	11	-	128
Chile	31	101	13	11	44	112	60	81	-	-	47	22	107	103	151	215
Mexico	71	66	2	4	73	70	39	57	-	-	13	19	52	76	125	146
Panama	6	10	7	9	13	19	-	-	-	-	4	4	4	4	17	23
Rest of LatAm	7	8	2	1	9	9	5	4	-	-	8	4	13	8	22	17
Total LatAm	177	311	87	216	264	527	186	235	-	-	124	101	310	336	574	863
Europe	24	15	8	35	32	50	161	170	80	111	3	14	244	295	276	345
<b>Total</b>	<b>263</b>	<b>438</b>	<b>716</b>	<b>788</b>	<b>979</b>	<b>1,226</b>	<b>1,403</b>	<b>1,250</b>	<b>489</b>	<b>453</b>	<b>397</b>	<b>343</b>	<b>2,289</b>	<b>2,046</b>	<b>3,268</b>	<b>3,272</b>

(1) Income tax actually paid in the year that figures in the Cash Flow Statement in the Consolidated Annual Accounts. Does not include accrued amounts. The reconciliation between reported "income tax" and that which would result from applying the nominal tax rate in force in the parent company's home country (Spain) to "Profit before taxes" is detailed in Note 21 ("Tax situation") to the consolidated financial statements.

(2) Includes energy taxes in Spain amounting to Euros 306 million in 2018 (Euros 260 million in 2017), local taxes, employer social security contributions and other specific taxes in each country.

(3) Includes basically employee withholdings and employee social security contributions.

## Income by country

2018	Million Euros
<b>Spain</b>	<b>(3,297)</b>
Argentina	41
Brazil	37
Chile	106
Mexico	104
Panama	13
Rest of LatAm	(63)
<b>Total LatAm</b>	<b>238</b>
<b>Europe</b>	<b>237</b>
<b>TOTAL</b>	<b>(2,822)</b>

## Received Grants

The movements of the received capital grants are breakdown in the Note 15 of Annual consolidated accounts. The received amount is Euros 1 Million in 2018 (Euros 4 million in 2017). The amount of the received operating grants is detailed in the Note 24 of the Annual consolidated accounts and amounted Euros 1 million in 2018 (Euros 1 million in 2017).

## 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. The Human Rights Policy, approved in 2011 by the Management Committee, defines and precisely establishes how the company believes it has to include these principles in its business management.

The Human Rights Policy acquires its full meaning in those locations where local legislation does not afford a suitable level of protection of human rights, and its compliance is horizontally integrated within the company and is the responsibility of each business area.

The policy establishes ten commitments, which were determined on the basis of the main risks that affect human rights in the company, and accepts the United Nations Guiding Principles on Business and Human Rights. It is also focused on the most important principles which have the greatest impact on the company's business.

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### **Human Rights Policy Principles**

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1. Avoiding any practices which are discriminatory, or which might compromise people's dignity
  2. Eradicating the use of child labour
  3. Helping to ensure freedom of association and collective negotiation
  4. Protecting people's health
  5. Offering dignified employment
  6. Commitment towards people linked to suppliers, contractors and collaborating companies
  7. Supporting and publicly promoting respect for human rights
  8. Respecting for indigenous communities and traditional ways of life
  9. Protecting facilities and people on the basis of respect for human rights
  10. Helping to fight corruption
- 

The company encourages the policy to be known and to be complied with using a communication and training plan, which includes a compulsory online course for all employees, seminars based around explaining principles of the policy and conflicts which could arise, and guidance sessions about the policy and its role in business activity.

Naturgy undertakes to engage the resources necessary to guarantee the effective implementation of this Human Rights 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 will consider their impact on the protection and promotion of human rights and will define 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, whether of the policy or any other aspect related to the respect of human rights will be 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. Those people who, without being company employees, witness potential malpractice in this area may also report this.

**6.10. Table of contents required by Law 11/2018, of December 28, 2018 amending the Commercial Code, the revised Capital Companies Law approved by Legislative Royal Decree 1/2010, of July 2, 2010 and Audit Law 22/2015, of July 20, 2015, as regards non-financial information and diversity.**

Content	Page	Reporting Criteria
Business model		
– Description of the business model	27	GRI 102-2
– Geographical presence	28	GRI 102-3 GRI 102-4 GRI 102-6 GRI 102-7
– Objectives and strategies	33	GRI 102-14
– Main factors and trends that affect future evolution	33	GRI 102-15
Reporting framework used	27	GRI 102-54
Social and personnel issues		
– Management approach	45	
– Employment		
▪ Number and distribution of employees by country, gender, age group and employee category	47	GRI 102-8
▪ Distribution of employment contract types and the annual average by gender, age group and employee category	47	GRI 102-8
▪ Number of dismissals by gender, age group and employee category	48	GRI 401-1
▪ Average remuneration by gender, employee category and age group	48	GRI 405-2
▪ Salary gap	48	GRI 405-2
▪ Average remuneration of directors and executives	49	GRI 102-38
▪ Payments to the savings and pension schemes	55	GRI 102-38 GRI 201-3
▪ Introduction of policies on disconnecting from work	54	GRI 401-2 GRI 401-3
▪ Percentage of employees with disabilities	49	GRI 405-1
– Work organisation		
▪ Organisation of work time	55	GRI 401-2 GRI 401-3
▪ Absenteeism	57	GRI 403-2
▪ Measures to facilitate work-life balance	55	GRI 401-2 GRI 401-3
– Health and safety		
▪ Health and safety conditions in the workplace	57	GRI 403-2 GRI 403-3 GRI 403-4
▪ Indicators of work injury	57	GRI 403-2
▪ Occupational illness	57	GRI 403-2
– Social relations		
▪ Organisation of social dialogue	52	GRI 402-1 GRI 403-1 GRI 403-4
▪ Percentage of total employees covered by collective bargaining agreements	50	GRI 102-41
▪ Balance of the agreements in the field of health and safety	58	GRI 403-4
– Training		
▪ Policies introduced in the field of training	53	GRI 404-2
▪ Training indicators	50	GRI 404-1

<b>Content</b>	<b>Page</b>	<b>Reporting Criteria</b>
– Universal accessibility of people with disabilities	49	GRI 405-1
– Equality	52	GRI 405-1 GRI 405-2
<b>Environmental issues</b>		
– Management approach	39	
– Environmental management	41	GRI 102-11 GRI 307-1
– Measures to prevent pollution	43	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-6 GRI 305-7
– Circular economy and waste prevention	40	GRI 306-2
▪ Sustainable use of resources	40	GRI 301-1
▪ Consumption of raw materials	40	GRI 302-1
▪ Direct and indirect energy consumption	40	GRI 303-1
▪ Consumption of water	40	GRI 302-4 GRI 302-5
▪ Measures to improve energy efficiency	40	GRI 302-1
– Climate change		
▪ Greenhouse gas emissions	40	GRI 305-1 GRI 305-2 GRI 305-3
▪ Measures to adapt to climate change	43	GRI 201-2
▪ Goals to reduce greenhouse gases	43	GRI 305-5
– Biodiversity		
▪ Measures to preserve or restore biodiversity	44	GRI 304-3
▪ Impacts caused by the activity	44	GRI 304-2
<b>Information on respect for human rights</b>		
– Management approach	73	
– Application of due diligence procedures	80	GRI 102-16 GRI 102-17 GRI 412-2
– Prevention and management measures of possible abuses	80	GRI 102-16 GRI 102-17 GRI 412-2
– Complaints on violations of human rights	80	GRI 102-17
– Promotion and compliance with the ILO provisions	73	GRI 102-16 GRI 407-1 GRI 408-1 GRI 409-1
<b>Information on the fight against corruption and bribery</b>		
– Management approach	73	
– Measures to prevent corruption and bribery	75	GRI 102-16 GRI 102-17
– Anti-money laundering measures	76	GRI 102-16 GRI 102-17
– Contributions to foundations and not-for-profit associations	71	GRI 201-1 GRI 413-1
<b>Social commitment</b>		
– Management approach	67	
– The commitment of companies to sustainable development	67	GRI 102-43 GRI 413-1 GRI 413-2
– Responsible supply chain management	61	GRI 308-1 GRI 414-1
– Management of customers relations	35	GRI 416-1 GRI 417-1
– Tax information and transparency	78	GRI 201-1 GRI 201-4



## 7. Additional information

### 7.1. Treasury shares

On 14 May 2015, the shareholders in general meeting authorised the Board of Directors to purchase, within five years, in one or more operations, a maximum of 10% of share capital or the maximum figure applicable under legislation prevailing at the time of acquisition. The relevant Company shares must be fully paid in and the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, may not exceed 10% of share capital or any other limit established by law.

Movements during 2018 and 2017 involving the treasury shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	Amounts in million euro	% Share capital
<b>At 1 January 2017</b>	<b>750,545</b>	<b>13</b>	<b>0,1</b>
Acquisitions	7,623,586	147	0,8
Share Acquisition Plan	(336,625)	(7)	(0,1)
Disposals	(8,037,506)	(153)	(0,8)
<b>At 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>
Acquisitions	19,421,635	427	1,9
Share Acquisition Plan	(354,422)	(7)	-
Disposals	(13,669,476)	(299)	(1,4)
<b>At 31 December 2018</b>	<b>5,397,737</b>	<b>121</b>	<b>0,5</b>

The minimum and maximum acquisition price will be the share price on the continuous market of the Spanish stock exchanges, within an upper or lower fluctuation of 5%.

In accordance with the resolutions adopted by the Naturgy Energy Group, S.A. shareholders at the General Meeting held on 20 April 2017, the resolutions relating to FY 2017 and 2018 within the Share Acquisition Plan 2017-2018-2019, aimed at Naturgy employees in Spain who decide voluntarily to take part in the Plan, was set in motion. The Plan enables participants to receive part of their remuneration in the form of shares of Naturgy Energy Group, S.A. subject to an annual limit of Euros 12,000. During 2018, 354,422 of the Company's own shares were acquired for Euros 7 million to be handed over to the employees taking part in the Plan (336,625 own shares amounting to Euros 7 million during 2017).

In 2018, the profit on transactions involving treasury shares of Naturgy Energy Group, S.A. amounted to a loss Euros 0.4 million, recognised under "Other reserves" (Euros 0.5 million profit in 2017).

Note 11 of the Notes to the Annual accounts of Naturgy Energy Group, S.A. contains all the information on treasury shares.

### 7.2. Average supplier payment period

#### Disclosure of deferrals of payment to suppliers Additional Provision 3 "Duty of disclosure" of Law 15/2010/5 July

The total amount of payments made during the year, with details of payment periods, in accordance with the maximum legal limit under Law 15/2010 of July 5, which laid down measures against late payment, is as follows:

	<b>2018</b>	<b>2017</b>
	<b>Amount</b>	<b>Amount</b>
Total payments (million euro)	4,663	4,452
Total payments outstanding (million euro)	52	80
Average supplier payment period (days) (1)	17	20
Transactions paid ratio (days) (2)	17	20
Transactions pending payment ratio (days) (3)	34	23

(1) Calculated on the basis of amounts paid and pending payment.

(2) Average payment period in transactions paid during the year.

(3) Average age, suppliers pending payment balance.

### **7.3. Subsequent events**

Events subsequent to the end of the period are described in Note 30 of the Notes to the Naturgy Energy Group, S.A. Financial Statements.

### **8. Annual Corporate Governance Report**

Attached as an annex and forming an integral part of this Directors' Report is the Annual Report on Corporate Governance 2018, as required by article 526 of the Capital Companies Act.

**INFORME ANUAL DE GOBIERNO CORPORATIVO  
DE LAS SOCIEDADES ANÓNIMAS COTIZADAS**

**DATOS IDENTIFICATIVOS DEL EMISOR**

FECHA FIN DE EJERCICIO DE REFERENCIA

2018

C.I.F. A-08015497

Denominación Social:

NATURGY ENERGY GROUP, S.A.

Domicilio Social:

Avenida de San Luis nº 77 – 28033 MADRID

**A ESTRUCTURA DE LA PROPIEDAD****A.1 Complete el siguiente cuadro sobre el capital social de la sociedad:**

Fecha de última modificación	Capital social (€)	Número de acciones	Número de derechos de voto
22/06/12	1.000.689.341	1.000.689.341	1.000.689.341

**Indique si existen distintas clases de acciones con diferentes derechos asociados:**SI NO **X**

Clase	Número de acciones	Nominal unitario	Número unitario de derechos de voto	Derechos diferentes

**A.2 Detalle los titulares directos e indirectos de participaciones significativas, a la fecha de cierre del ejercicio, excluidos los consejeros\*:**

Nombre o denominación social del accionista	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto
	Directo	Indirecto	Directo	Indirecto	
GLOBAL INFRASTRUCTURE MANAGEMENT LLP		20,000%			20,000%
SOCIÉTÉ NATIONALE POUR LA RECHERCHE, LA PRODUCTION, LE TRANSPORT, LA TRANSFORMATION ET LA COMMERCIALISATION DES HYDROCARBURES	3,850%				3,850%
CRITERIA CAIXA S.A. U	20,422%	5,23%			25,652%
CVC Capital Partners SICAV-FIS S.A.		20,072%			20,072%

**Detalle de la participación indirecta:**

\* Según información sobre participaciones significativas comunicada a CNMV por los sujetos obligados.

Nombre o denominación social del titular indirecto	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto
GLOBAL INFRASTRUCTURE PARTNERS III	GIP III CANARY 1, S	20,000%		20,000%
CRITERIA CAIXA S.A.U		20,422%		20,422%
CRITERIA CAIXA S.A.U	ENERGIA BOREAL S.A.	5,0%		5,0%
CRITERIA CAIXA S.A.U	G3T S.L	0,10%		0,10%
CRITERIA CAIXA S.A.U	BCN GODIA S.L.U	0,13%		0,13%
CVC Capital Partners SICAV-FIS S.A.	RIOJA BIDCO SHAREHOLDINGS, S.L.U	20,072%		20,072%

**Indique los movimientos en la estructura accionarial más significativos acaecidos durante el ejercicio:**

Nombre o denominación social del accionista	Fecha de la operación	Descripción de la operación
REPSOL, S.A.	18-05-2018	Venta del total de su participación a Rioja Bidco Shareholdings, S.à.r.l
CRITERIA CAIXA S.A.U	3-10-2018	Transfiere a Energía Boreal 2018, S.A un 5% del capital social

**A.3 Complete los siguientes cuadros sobre los miembros del consejo de administración de la sociedad, que posean derechos de voto sobre acciones de la sociedad:**

Nombre o denominación social del consejero	% derechos de voto atribuidos a las acciones		% derechos de voto a través de instrumentos financieros		% total de derechos de voto	% derechos de voto <u>que pueden ser transmitidos a través de instrumentos financieros</u>	
	Directo	Indirecto	Directo	Indirecto		Directo	Indirecto
DON FRANCISCO REYNES MASSANET		0,008			0,008		
RIOJA BIDCO SHAREHOLDINGS	20,072				20,072		
THEATRE DIRECTORSHIP SERVICES	0				0		
DON WILLIAM ALAN WOODBURN	0				0		
DON PEDRO SAINZ DE BARANDA RIVA	0				0		
DON RAMÓN ADELL RAMÓN	0,001				0,001		
DON ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	0,003				0,003		
DON CLAUDIO SANTIAGO PONSÁ	0				0		
DON MARCELINO ARMENTER VIDAL	0,001				0,001		
DON FRANCISCO BELIL CREIXELL	0,001				0,001		
DOÑA HELENA HERRERO STARKIE	0				0		
DON RAJARAM RAO	0				0		

<b>% total de derechos de voto en poder del consejo de administración</b>	<b>20,086%</b>
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**Detalle de la participación indirecta**

Nombre o denominación social del consejero	Nombre o denominación social del titular directo	% derechos de voto atribuidos a las acciones	% derechos de voto a través de instrumentos financieros	% total de derechos de voto	% derechos de voto <u>que pueden ser transmitidos</u> a través de instrumentos financieros
D. Francisco Reynés Massanet	FRINVYCO, SL	0,008			

**Observaciones:**

**A.4** Indique, en su caso, las relaciones de índole familiar, comercial, contractual o societaria que existan entre los titulares de participaciones significativas, en la medida en que sean conocidas por la sociedad, salvo que sean escasamente relevantes o deriven del giro o tráfico comercial ordinario, excepto las que se informen en el apartado A.6:

Nombre o denominación social relacionados	Tipo de relación	Breve descripción

**Observaciones:**

Ver apartado A. 7

**A.5** Indique, en su caso, las relaciones de índole comercial, contractual o societaria que existan entre los titulares de participaciones significativas, y la sociedad y/o su grupo, salvo que sean escasamente relevantes o deriven del giro o tráfico comercial ordinario:

Nombre o denominación social relacionados	Tipo de relación	Breve descripción
CRITERIA CAIXA S.A.U	COMERCIAL	Las relaciones existentes

		derivan del tráfico comercial ordinario y están referidas en el apartado D.2 y en las cuentas anuales.
REPSOL, S.A.	COMERCIAL	Las relaciones existentes derivan del tráfico comercial ordinario y están referidas en el apartado D.2 y en las cuentas anuales.
CVC Capital Partners SICAV-FIS S.A.	COMERCIAL	Las relaciones existentes derivan del tráfico comercial y están referidas en el apartado D.2 y en las cuentas anuales.
GIP III CANARY 1, S.À R.L.	COMERCIAL	Las relaciones existentes derivan del tráfico comercial y están referidas en el apartado D.2 y en las cuentas anuales.

**A.6** Describa las relaciones, salvo que sean escasamente relevantes para las dos partes, que existan entre los accionistas significativos o representados en el consejo y los consejeros, o sus representantes, en el caso de administradores persona jurídica.

Explique, en su caso, cómo están representados los accionistas significativos. En concreto, se indicarán aquellos consejeros que hubieran sido nombrados en representación de accionistas significativos, aquellos cuyo nombramiento hubiera sido promovido por accionistas significativos, o que estuvieran vinculados a accionistas significativos y/o entidades de su grupo, con especificación de la naturaleza de tales relaciones de vinculación. En particular, se mencionará, en su caso, la existencia, identidad y cargo de miembros del consejo, o representantes de consejeros, de la sociedad cotizada, que sean, a su vez, miembros del órgano de administración, o sus representantes, en sociedades que ostenten participaciones significativas de la sociedad cotizada o en entidades del grupo de dichos accionistas significativos.

Nombre o denominación social del consejero o representante vinculado	Nombre o denominación social del accionista significativo vinculado	Denominación social de la sociedad del grupo del accionista significativo	Descripción relación/cargo
D. MARCELINO ARMENTER VIDAL	CRITERIA CAIXA S.A.U	Criteria Caixa SAU	Dominical/ Director General Criteria Caixa



		Caixa Capital Risc, S.G.E.I.C. S.A.	Vicepresidente – Consejero Delegado
		Inmo Critería Caixa, S.A.U.	Consejero
		Mediterránea Beach & Golf S.A.U.	Presidente
		Saba Infraestructuras, S.A.	Consejero
		Caixa Innvierte Industria, S.C.R., S.A.	Presidente
		Caixa Capital Biomed, S.C.R. S.A.	Rep. Persona física del Adm. Único Caixa Capital Risc, S.G.E.I.C, S.A.
		Caixa Capital Fondos, S.C.R. S.A.	Rep. Persona física del Adm. Único Caixa Capital Risc, S.G.E.I.C, S.A.
		Caixa Capital Micro, S.C.R. S.A.	Rep. Persona física del Adm. Único Caixa Capital Risc, S.G.E.I.C, S.A.
		Caixa Capital Tic, S.C.R. S.A.	Rep. Persona física del Adm. Único Caixa Capital Risc, S.G.E.I.C, S.A.
		Criteria Venture Capital, S.I.C.C. S.A.	Rep. Persona física del Adm. Único Caixa Capital Risc, S.G.E.I.C, S.A.
D. ENRIQUE ALCANTARA GARCIA-IRAZOQUI	CRITERIA CAIXA S.A.U		Dominical
D. WILLIAM ALAN WOODBURN	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		Dominical
D. RAJARAM RAO	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		Dominical/Socio
D. JAVIER DE JAIME GUIJARRO	CVC Capital Partners SICAV-FIS S.A.		Dominical
D. JOSÉ ANTONIO TORRE DE	CVC Capital Partners SICAV-FIS S.A.		Dominical/Empleado

SILVA LÓPEZ DE LETONA			
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**A.7 Indique si han sido comunicados a la sociedad pactos parasociales que la afecten según lo establecido en los artículos 530 y 531 de la Ley de Sociedades de Capital. En su caso, descríbalos brevemente y relacione los accionistas vinculados por el pacto:**

SI X NO

Intervinientes del pacto parasocial	% de capital social afectado	Breve descripción del pacto	Fecha de vencimiento del pacto, si la tiene
CRITERIA CAIXA, S.A.U  GIP III CANARY 1, S.À R.L.	45,65%	El pacto Comunicado en HR nº 242612 del 12/09/2016 indica que los intervinientes asumieron determinados compromisos relativos al gobierno corporativo de la Sociedad y que tienen por objeto el respeto al derecho a la representación proporcional tanto en Consejo como en Comisiones.	
ALBA EUROPE S.À R.L. y RIOJA INVESTMENT S.À R.L.	20,072%	El pacto Comunicado en HR nº265818 de fecha 18 de mayo de 2018 afecta 1.- A la propuesta de designación de consejeros en representación de Rioja Bidco Shareholdings, 2.- La adopción de decisiones en Consejo y Junta y 3.- Al régimen de transmisión de acciones.	
CRITERIA CAIXA, S.A.U y G3T, S.L.	5,123%	El pacto comunicado en HR	

CRITERIA CAIXA, S.A.U y BCN Godia, S.L.U.		nº 270130 de 3 de octubre de 2018 se ocupa de regular el ejercicio de los derechos de voto de la participación indirecta de G3T y BCN Godia S.L.U (a través de Energía Boreal 2018, S.A.) en Naturgy indicando que se hará en el sentido que Criterias señale.	
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**Indique si la sociedad conoce la existencia de acciones concertadas entre sus accionistas. En su caso, descríbalas brevemente:**

SI                      NO X

Intervinientes acción concertada	% de capital social afectado	Breve descripción del concierto	Fecha de vencimiento del concierto, si la tiene

**En el caso de que durante el ejercicio se haya producido alguna modificación o ruptura de dichos pactos o acuerdos o acciones concertadas, indíquelo expresamente:**

Al vender Repsol por completo su participación en la Sociedad, dejó de ser parte del pacto parasocial que mantenía con CRITERIA CAIXA, S.A.U y GIP III CANARY 1, S.À R.L.

**A.8 Indique si existe alguna persona física o jurídica que ejerza o pueda ejercer el control sobre la sociedad de acuerdo con el artículo 5 de la Ley del Mercado de Valores. En su caso, identifíquela:**

SI                      NO X

<b>Nombre o denominación social</b>
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<b>Observaciones</b>
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**A.9 Complete los siguientes cuadros sobre la autocartera de la sociedad:**

A fecha de cierre del ejercicio:

Número de acciones directas	Número de acciones indirectas (*)	% total sobre capital social
5.397.737	8.639.595	14.037.332

OBSERVACIONES

**Explique las variaciones significativas habidas durante el ejercicio:**

Explique las variaciones significativas
<p>Tal como informado en Hechos relevantes de fecha 3 de agosto, 1 de octubre y 6 de diciembre, Naturgy ha adquirido 8.639.595 acciones que se mantendrán en un vehículo societario separado para generar un rendimiento que permita financiar el incentivo a largo plazo de determinados directivos si se cumplieran las condiciones establecidas –véase apartado B.7 del Informe anual de remuneraciones-.</p> <p>Por otro lado, mantenía a 31 de diciembre de 2018 otras 5.397.737 acciones que se destinan a la finalidad de recompra de acciones para su posible amortización, previéndose que se adquieran acciones en volumen de hasta 400 millones de euros en el periodo que finaliza el 30 de junio de 2019</p>

**A.10. Detalle las condiciones y plazo del mandato vigente de la junta de accionistas al consejo de administración para emitir, recomprar o transmitir acciones propias.**

La Junta General de Accionistas de 14 de mayo de 2015, en su punto decimocuarto del Orden del Día autorizó al Consejo de Administración para acordar en un plazo no superior a 5 años la adquisición a título oneroso las acciones de la Sociedad, en las siguientes condiciones:

**DECIMOCUARTO.-** Autorización al Consejo de Administración para la adquisición derivativa de acciones propias, directamente o a través de sociedades del Grupo de NATURGY ENERGY GROUP S.A., en los términos que acuerde la Junta General y con los límites legalmente establecidos, dejando sin efecto la autorización acordada por la Junta General Ordinaria de 20 de abril de 2010.

**Decimocuarto 1.-** Dejar sin efecto, en la parte no utilizada, la autorización otorgada al Consejo de Administración por la Junta General celebrada el 20 de abril de 2010, para adquirir a título oneroso acciones de la Sociedad.

**Decimocuarto 2.-** Autorizar al Consejo de Administración para que en un plazo no superior a los cinco años pueda adquirir a título oneroso, en una o varias veces, hasta un máximo del 10% del capital social o la cifra máxima que resulte de aplicación conforme a la normativa vigente en el momento de adquisición, acciones de la Sociedad que estén totalmente desembolsadas, sin que nunca el

valor nominal de las acciones adquiridas directa o indirectamente, sumándose al de las que ya posean la Sociedad y sus filiales supere el 10% del capital suscrito, o cualquier otro que legalmente se establezca. El precio mínimo y máximo de adquisición será el de cotización en el Mercado Continuo de las Bolsas de Valores españolas con una oscilación en más o en menos de un 5%.

En el caso de que las acciones no cotizasen, el precio máximo y mínimo de adquisición se señalará entre una vez y media y dos veces el valor contable de las acciones, de acuerdo con el último Balance consolidado auditado. El Consejo de Administración queda facultado para delegar la presente autorización en la Comisión Ejecutiva o en la persona o personas que crea conveniente. La presente autorización se entiende que es extensiva a la adquisición de acciones de la Sociedad por parte de sociedades dominadas.

Asimismo, en la Junta General de Accionistas de 20 de abril de 2017, en su punto decimocuarto del Orden del Día autorizó al Consejo de Administración para acordar en un plazo no superior a 5 años el aumento del capital social, en las siguientes condiciones:

**DÉCIMO CUARTO.-** Autorización al Consejo de Administración, con facultad de sustitución en la Comisión Ejecutiva, conforme a lo dispuesto en el artículo 297.1 b) de la Ley de Sociedades de Capital, para que, dentro del plazo máximo de cinco (5) años, si lo estima conveniente, pueda aumentar el capital social hasta la cantidad máxima correspondiente a la mitad del capital social en el momento de la autorización, con previsión de suscripción incompleta, emitiendo acciones ordinarias, privilegiadas o rescatables, con voto o sin voto, con prima o sin prima, en una o varias veces y en la oportunidad y cuantía que considere adecuadas, incluyendo la facultad de suprimir, en su caso, el derecho de suscripción preferente hasta el límite del 20% del capital social en el momento de la presente autorización, dando nueva redacción a los artículos que corresponda de los Estatutos Sociales y dejando sin efecto la autorización acordada por la Junta General Ordinaria de 20 de abril de 2012.

DécimoCuarto.-

- 1) Teniendo en cuenta la cifra actual del capital social, autorizar al Consejo de Administración, con facultad de sustitución en la Comisión Ejecutiva, para aumentar el capital social en QUINIENTOS MILLONES TRESCIENTOS CUARENTA Y CUATRO MIL SEISCIENTOS SETENTA EUROS (500.344.670.-€.) dentro del plazo de cinco (5) años, a partir de esta fecha (20.04.2017), mediante desembolso dinerario, en una o varias veces en la oportunidad y cuantía que el mismo decida, emitiendo acciones ordinarias, privilegiadas o rescatables, con voto o sin voto, con prima o sin prima, sin necesidad de nueva autorización de la Junta General, así como para modificar los artículos de los Estatutos Sociales que sean precisos por el aumento o aumentos de capital que se realicen en virtud de la indicada autorización, con previsión de suscripción incompleta, todo ello de conformidad con lo establecido en el artículo 297.1 b) de la Ley de Sociedades de capital, dejando sin efecto la autorización acordada por la Junta General de 20 de abril de 2012.

- 2) Se atribuye expresamente al Consejo de Administración, con facultad de sustitución en la Comisión Ejecutiva, la facultad de excluir, en todo o en parte, el derecho de suscripción preferente en relación con todas o cualesquiera de las emisiones que acordare en base a la presente autorización. Esta facultad queda limitada a que las exclusiones del derecho de suscripción preferente no superen, en conjunto, el 20% del capital social actual de la Sociedad.
- 3) Como consecuencia del acuerdo precedente, modificar el Artículo Transitorio de los Estatutos Sociales, el cual quedará redactado de la siguiente manera:

“ARTÍCULO TRANSITORIO.- DELEGACIÓN AL CONSEJO DE ADMINISTRACIÓN.

El Consejo de Administración de la Sociedad, con facultad de sustitución en la Comisión Ejecutiva, y durante un plazo máximo de cinco (5) años a partir de esta fecha (20.04.2017), está facultado para aumentar el capital social en la cantidad QUINIENTOS MILLONES TRESCIENTOS CUARENTA Y CUATRO MIL SEISCIENTOS SETENTA EUROS (500.344.670.-€.), mediante desembolso dinerario, en una o varias veces, en la oportunidad y cuantía que el mismo decida, emitiendo acciones ordinarias, privilegiadas o rescatables, con voto o sin voto, con prima o sin prima, sin necesidad de nueva autorización de la Junta General, con la posibilidad de acordar en su caso la exclusión, total o parcial, del derecho de suscripción preferente hasta el límite del 20% del capital social en el momento de la presente autorización, así como para modificar los artículos de los Estatutos Sociales que sea preciso por el aumento o aumentos de capital que realice en virtud de la indicada autorización, con previsión de suscripción incompleta, todo ello de conformidad con lo establecido en el artículo 297.1.b) de la Ley de Sociedades de Capital.”

**A.11 Capital flotante estimado:**

	%
Capital Flotante estimado	30,426

**A.12 Indique si existe cualquier restricción (estatutaria, legislativa o de cualquier índole) a la transmisibilidad de valores y/o cualquier restricción al derecho de voto. En particular, se comunicará la existencia de cualquier tipo de restricciones que puedan dificultar la toma de control de la sociedad mediante la adquisición de sus acciones en el mercado así como aquellos regímenes de autorización o comunicación previa que, sobre las adquisiciones o transmisiones de instrumentos financieros de la compañía, le sean aplicables por normativa sectorial.**

SI    X                      NO

Descripción de las restricciones
Como Sociedad que integra en su Grupo determinados activos y actividades regulados y cuasi-regulados, la adquisición de acciones de NATURGY

ENERGY GROUP S.A. puede estar sujeta a lo dispuesto en la Disposición Adicional Novena de la Ley 3/2013, de 4 de junio, de creación de la Comisión Nacional de los Mercados y la Competencia.

Por su carácter de operador principal en los mercados de gas y electricidad, la tenencia de sus acciones está sujeta a las restricciones establecidas en el artículo 34 del Decreto-Ley 6/2000 de Medidas Urgentes de intensificación de la competencia en los mercados de bienes y servicios.

**A.13 Indique si la junta general ha acordado adoptar medidas de neutralización frente a una oferta pública de adquisición en virtud de lo dispuesto en la Ley 6/2007.**

SI NO

En su caso, explique las medidas aprobadas y los términos en que se producirá la ineficiencia de las restricciones:

**A.14 Indique si la sociedad ha emitido valores que no se negocian en un mercado regulado comunitario.**

SI NO

En su caso, indique las distintas clases de acciones y, para cada clase de acciones, los derechos y obligaciones que confiera.

## **B** JUNTA GENERAL

**B.1 Indique y, en su caso detalle, si existen diferencias con el régimen de mínimos previsto en la Ley de Sociedades de Capital (LSC) respecto al quórum de constitución de la junta general.**

SI NO

	% de quórum distinto al establecido en art. 193 LSC para supuestos generales	% de quórum distinto al establecido en art. 194 LSC para los supuestos especiales del art. 194 LSC
Quórum exigido en 1ª convocatoria		
Quórum exigido en 2ª convocatoria		

Descripción de las diferencias

**B.2 Indique y, en su caso, detalle si existen diferencias con el régimen previsto en la Ley de Sociedades de Capital (LSC) para la adopción de acuerdos sociales:**

SI

NO

**Describa en qué se diferencia del régimen previsto en la LSC.**

	Mayoría reforzada distinta a la establecida artículo 201.2 LSC para los supuestos del 194.1 LSC	Otros supuestos de mayoría reforzada
% establecido por la entidad para la adopción de acuerdos		
<b>Describa las diferencias</b>		

**B.3 Indique las normas aplicables a la modificación de los estatutos de la sociedad. En particular, se comunicarán las mayorías previstas para la modificación de los estatutos, así como, en su caso, las normas previstas para la tutela de los derechos de los socios en la modificación de los estatutos.**

La modificación de los Estatutos Sociales se regula en el artículo 6.2 de los Estatutos Sociales y en el artículo 12 del Reglamento de la Junta General, que se complementan con las disposiciones correspondientes de la LSC.

Los accionistas constituidos en Junta General, debidamente convocada, decidirán con carácter general por mayoría simple en los asuntos propios de la competencia de la Junta. En tal caso se entenderá adoptado un acuerdo cuando obtenga más votos a favor que en contra del capital presente o representado.

Todos los socios, incluso los disidentes y los que no hayan participado en la reunión, quedan sometidos a los acuerdos de la Junta General.

Para que la Junta General ordinaria o extraordinaria, pueda acordar válidamente la emisión de obligaciones, el aumento o la reducción del capital, la supresión o la limitación del derecho de suscripción preferente de nuevas acciones u obligaciones convertibles, así como la transformación, la fusión, la escisión o la cesión global de activo y pasivo, el traslado del domicilio al extranjero, y, en general, cualquier modificación de los Estatutos Sociales, será necesaria, en primera convocatoria, la concurrencia de accionistas presentes o representados que posean, al menos, el cincuenta por ciento (50%) del capital suscrito con derecho a voto. En segunda convocatoria será suficiente la concurrencia del veinticinco por ciento (25%) de dicho capital.

La modificación de los Estatutos deberá ser acordada por la Junta General y exige la concurrencia de los requisitos siguientes:



1) Que el Consejo de Administración o, en su caso, los accionistas autores de la propuesta formulen un informe escrito, con la justificación de la misma.

2) Que se expresen en la convocatoria, con la debida claridad, los extremos cuya modificación se propone, así como el derecho que corresponde a todos los accionistas de examinar, en el domicilio social, el texto integro de la modificación propuesta y el informe sobre la misma y el de pedir la entrega o el envío gratuito de dichos documentos.

3) Que el acuerdo sea adoptado por la Junta General, de conformidad con lo dispuesto en estos Estatutos.

4) En todo caso, el acuerdo se hará constar en escritura pública, que se inscribirá en el Registro Mercantil y se publicará en el Boletín Oficial del mismo.

**B.4 Indique los datos de asistencia en las juntas generales celebradas en el ejercicio al que se refiere el presente informe y los del ejercicio anterior:**

Fecha junta general	Datos de asistencia				Total
	% de presencia física	% en representación	% voto a distancia		
			Voto electrónico	Otros	
04/05/2016	68,67%	8,77%	0	0	77,44%
De los que capital flotante 2016	0,13	8,77	0	0	8,9%
20/04/17	68,66%	13,34%	0%	0%	82%
De los que capital flotante 2017	0,1%	13,3%	0%	0%	13,4%
27/06/18	68,69%	15,13%	0%	0%	83,82%
De los que capital flotante en 2018	0,2%	15,1%	0%	0%	15,3%

**B.5 Indique si en las Juntas Generales celebradas en el ejercicio ha habido algún punto del orden del día que, por cualquier motivo, no haya sido aprobado por los accionistas.**

Sí  No

Puntos del orden del día que no se han aprobado	% voto en contra (*)

**(\*) Si la no aprobación del punto es por causa distinta del voto en contra, se explicará en la parte de texto y en la columna de "% voto en contra" se pondrá "n/a".**

**B.6 Indique si existe alguna restricción estatutaria que establezca un número mínimo de acciones necesarias para asistir a la junta general.**

SI

NO X

Número de acciones necesarias para asistir a la junta general	
Número de acciones necesarias para votar a distancia	

## OBSERVACIONES

- B.7 Indique si se ha establecido que determinadas decisiones, distintas a las establecidas por Ley, que entrañan una adquisición, enajenación, la aportación a otra sociedad de activos esenciales u otras operaciones corporativas similares, deben ser sometidas a la aprobación de la junta general de accionistas.**

SI

NO X

Explicación de las decisiones que se deben someter a la junta distintas a la establecidas por ley
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- B.8 Indique la dirección y modo de acceso a la página web de la sociedad a la información sobre gobierno corporativo y otra información sobre las juntas generales que deba ponerse a disposición de los accionistas a través de la página web de la Sociedad.**

Respecto al apartado de Gobierno Corporativo el itinerario es el siguiente:  
[https://www.naturgy.com/accionistas\\_e\\_inversores/gobierno\\_corporativo/normas\\_de\\_gobierno](https://www.naturgy.com/accionistas_e_inversores/gobierno_corporativo/normas_de_gobierno)

Con el siguiente itinerario [www.naturgy.com](http://www.naturgy.com) → Accionistas e Inversores → Gobierno Corporativo.

Respecto al apartado de Junta General el itinerario es el siguiente:  
[https://www.naturgy.com/accionistas\\_e\\_inversores/gobierno\\_corporativo/junta\\_general\\_de\\_accionistas](https://www.naturgy.com/accionistas_e_inversores/gobierno_corporativo/junta_general_de_accionistas), con el siguiente itinerario [www.naturgy.com](http://www.naturgy.com) → Accionistas e Inversores → Junta General.

## **C ESTRUCTURA DE LA ADMINISTRACIÓN DE LA SOCIEDAD**

### **C.1 Consejo de administración**

#### **C.1.1 Número máximo y mínimo de consejeros previstos en los estatutos sociales y el número fijado por la Junta General:**

Número máximo de consejeros	15
Número mínimo de consejeros	11
Número de Consejeros fijados por la Junta	12

#### **Observaciones**

**C.1.2 Complete el siguiente cuadro con los miembros del consejo:**

Nombre o denominación social del consejero	Representante	Categoría del consejero	Cargo en el consejo	Fecha primer nombramiento	Fecha último nombramiento	Procedimiento de elección	Fecha de nacimiento
D. Francisco Reynes Massanet		Ejecutivo	Presidente	6/02/2018	27/06/2018	Acuerdo Junta General de Accionistas	08-04-1963
D. Ramón Adell Ramón		Independiente	Consejero Coordinador	18/06/2010	27/06/2018	Acuerdo Junta General de Accionistas	09-01-1958
D. Enrique Alcántara-García Irazoqui		Dominical	Consejero	27/06/1991	20/04/2017	Acuerdo Junta General de Accionistas	21-10-1944
D. Marcelino Armenter Vidal		Dominical	Consejero	21/09/2016	20/04/2017	Acuerdo Junta General de Accionistas	02-06-1957
D. Francisco Belil Creixell		Independiente	Consejero	14/05/2015	27/06/2018	Acuerdo Junta General de Accionistas	24-05-1946
Dña. Helena Herrero Starkie		Independiente	Consejera	04/05/2016	04/05/2016	Acuerdo Junta General de Accionistas	13-06-1959
D. Rajaram Rao		Dominical	Consejero	21/09/2016	20/04/2017	Acuerdo Junta General de Accionistas	03-04-1971
Rioja Bidco Shareholdings, S.L.U.	D. Javier de Jaime Guijarro	Dominical	Consejero	17.05.18	27/06/2018	Acuerdo Junta General de Accionistas	----
D. Claudi Santiago Ponsa		Independiente	Consejero	27/06/ 2018	27/06/2018	Acuerdo Junta General de Accionistas	20-09-1956
D. Pedro Sainz De Baranda		Independiente	Consejero	27/06/ 2018	27/06/2018 (aceptado 6-07-2018)	Acuerdo Junta General de Accionistas	23-03-1963
D. William Alan Woodburn		Dominical	Consejero	30/09/2016	20/04/2017	Acuerdo Junta General de Accionistas	14-01-1951
THEATRE DIRECTORSHIP SERVICES BETA, S.À.R.L.	D. José Antonio Torre de Silva	Dominical	Consejero	18/05/2018	27/06/2018	Acuerdo Junta General de Accionistas	----

	López de Letona						
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Número Total de consejeros	12
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**Indique las bajas que ya sean por dimisión, destitución o por cualquier otra causa, se hayan producido en el consejo de administración durante el periodo sujeto a información:**

Nombre o denominación social del consejero	Categoría del consejero en el momento de cese	Fecha del último nombramiento	Fecha de baja	Comisiones especializadas en las que era miembro	Indique si la baja se ha producido antes del fin del mandato
Isidro Fainé Casas	Dominical	18/05/2015	6/02/2018	CEJ	Si
Rafael Villaseca Marco	Ejecutivo	14/05/2015	6/02/2018	CEJ	Si
Josu Jon Imaz Sanmiguel	Dominical	20/4/2017	22/02/2018	CEJ	Si
Luis Suarez De Lezo Mantilla	Dominical	20/4/2017	17/05/2018	CEJ, CAU	Si
Miguel Martinez Sanmartín	Dominical	14/05/2015	6/3/2018	CEJ, CNR	Si
Iñigo Alonso De Noriega Satrustegui	Dominical	6/3/2018	17/05/2018	CNR	Si
Guillermo Llopis García	Dominical	6/3/2018	18/05/2018	CAU	Si
Cristina Garmendia Mendizabal	Independiente	14/05/2015	27/06/2018	CNR, CAU	No
Benita Ferrero-Waldner	Independiente	14/05/2015	27/06/2018	CEJ	No
Xavier Añoberos Trias De Bes	Independiente	14/05/2015	27/06/2018	CAU	No
Alejandro Garcia- Bragado Dalmau	Dominical	21/09/2016	21/05/2018	CEJ, CNR	Si
Mario Armero	Dominical	20/04/2017	27/06/2018	--	Si
Theatre Directorship Services Delta, S.À.R.L. (Representada Por D. Juan Arbide Estensoro)	Dominical	17/05/2018	27/06/2018	--	No

Causa de la baja y otras observaciones
<p>La salida del capital social de REPSOL y la simplificación y reducción del tamaño del Consejo y sus Comisiones ha dado lugar a una reducción del número de Consejeros dominicales, por lo que varios de ellos presentaron su dimisión. El Consejero dominical Sr. García-Bragado dimitió alegando diferencias de criterio en la selección de nuevos Consejeros, las cuales no fueron compartidas por los demás miembros del Consejo.</p> <p>En lo que respecta a los Consejeros independientes, la causa de su baja fue el vencimiento de sus mandatos.</p>

**C.1.3 Complete los siguientes cuadros sobre los miembros del consejo y su distinta categoría:**

**CONSEJEROS EJECUTIVOS**

<b>Nombre o denominación del consejero</b>	<b>Cargo en el organigrama de la sociedad</b>	<b>Perfil</b>
D. Francisco Reyes Massanet	Presidente Ejecutivo	Perfil ingeniero y empresarial internacional: Ingeniero Industrial, especialidad mecánica, por la Universidad Politécnica de Barcelona, y MBA por el IESE, ha cursado también programas de Alta Dirección en Estados Unidos y Alemania

<b>Número total de consejeros ejecutivos</b>	1
<b>% sobre el total del consejo</b>	8,33%

<b>OBSERVACIONES</b>

**CONSEJEROS EXTERNOS DOMINICALES**

<b>Nombre o denominación del consejero</b>	<b>Nombre o denominación del accionista significativo a quien representa o que ha propuesto su nombramiento</b>	<b>Perfil</b>
D. Enrique Alcántara-García Irazoqui	CRITERIA CAIXA S.A.U	Perfil jurídico: Abogado del Estado en excedencia. Es Secretario del Consejo

		de Administración y del Patronatos de múltiples Sociedades y Fundaciones.
D. Marcelino Armenter Vidal	CRITERIA CAIXA S.A.U	Perfil económico y empresarial: Licenciado en Administración y Dirección de Empresas y Master en Administración y Dirección de Empresas por ESADE.
D. Rajaram Rao	Global Infrastructure Partners III	Perfil IT, económico y empresarial internacional: Ingeniero Electrónico y de Telecomunicaciones cualificado. También tiene un MBA de la Universidad de Delhi y un Master en Finanzas de la London Business School.
D. William Alan Woodburn	Global Infrastructure Partners III	Perfil de ingeniero técnico internacional: M.S. y B.S. grados en Ingeniería de la Universidad de Northwestern y la Academia de Marina Mercante de EE.UU.
Rioja Bidco Shareholdings, S.L.U. (D. Javier de Jaime Guijarro)	CVC Capital Partners Sicav-FIS S.A.	Perfil económico y empresarial Licenciado en derecho por la Universidad de Comillas (ICADE) y MB por la Universidad de Houston
THEATRE DIRECTORSHIP SERVICES BETA, S.À.R.L. (D. José Antonio Torre de Silva López de Letona)	CVC Capital Partners SICAV-FIS S.A.	Perfil económico y Empresarial. Licenciado en Ingeniería Industrial por la Escuela Técnica Superior la Universidad Pontificia de Comillas (ICAI) y MBA por la Universidad de Navarra (IESE).
	<b>Número total de consejeros dominicales</b>	6
	<b>% sobre el total del consejo</b>	50,00%

<b>OBSERVACIONES</b>

**CONSEJEROS EXTERNOS INDEPENDIENTES**

<b>Nombre o denominación del consejero</b>	<b>Perfil</b>
D. Ramón Adell Ramón	Perfil experto en el área financiera y contable: Doctor en Ciencias Económicas y Empresariales. Licenciado en Derecho. Catedrático de Economía Financiera y Contabilidad de la Universidad de Barcelona. Es académico de la Real Academia de Ciencias Económicas y Financieras de España y Miembro de Honor del Consejo Superior Europeo de Doctores y Doctores Honoris Causa.
D. Claudi Santiago Ponsa	Perfil IT y empresarial internacional; sector energético: Licenciado en Ingeniería informática por la Universidad Autónoma de Barcelona (UAB) e International executive program (INSEAD) por la Executive International Business de la Universidad de Georgetown.
D. Francisco Belil Creixell	Perfil ingeniero y empresarial internacional: Ingeniero Superior. Ha sido Consejero Delegado de la región Suroeste de Europa en Siemens y Presidente de la Cámara de Comercio alemana para España y de la Federación de la Industria Química Española.
D. Pedro Sainz De Baranda Riva	Perfil ingeniero y empresarial internacional; mercado de capitales: Ingeniero de Minas por la Universidad de Oviedo, Phd en Ingeniería, Rutgers University of New Jersey y MBA por la Sloan School of Management de Massachusetts, Institute of Technology (MIT).
Dña. Helena Herrero Starkie	Perfil IT e ID+i y empresarial internacional: Licenciada en Ciencias Químicas. Es Presidenta y Consejera Delegada de Hewlett Packard (HP) para España y Portugal.

<b>Número total de consejeros independientes</b>	5
<b>% total del consejo</b>	41,66%

<b>OBSERVACIONES</b>

**Indique si algún consejero calificado como independiente percibe de la sociedad, o de su mismo grupo, cualquier cantidad o beneficio por un concepto distinto de la remuneración de consejero, o mantiene o ha mantenido, durante el último ejercicio, una relación de negocios con la sociedad o con cualquier sociedad de su grupo, ya sea en nombre propio o como accionista significativo, consejero o alto directivo de una entidad que mantenga o hubiera mantenido dicha relación.**

**En su caso, se incluirá una declaración motivada del consejo sobre las razones por las que considera que dicho consejero puede desempeñar sus funciones en calidad de consejero independiente.**

<b>Nombre o denominación social del consejero</b>	<b>Descripción de la relación</b>	<b>Declaración motivada</b>
Dña. Cristina Garmendia Mendizabal	Consejera de SCIENCE & INNOVATION LINK, OFFICE (SILO), entidad que ha prestado servicios a una empresa del Grupo NTGY.	La relación de negocios mantenida con SCIENCE & INNOVATION LINK OFFICE no es significativa dado su importe inmaterial

#### OTROS CONSEJEROS EXTERNOS

**Se identificará a los otros consejeros externos y se detallarán los motivos por lo que no se puedan considerar dominicales o independientes y sus vínculos, ya sea con la sociedad, sus directivos o sus accionistas:**

<b>Nombre o denominación social del consejero</b>	<b>Motivos</b>	<b>Sociedad, directivo o accionista con el que mantiene el vínculo</b>	<b>Perfil</b>
Dña. Cristina Garmendia Mendizabal	Se consideró externa desde 17-05-18 hasta 27-06-18.	Vínculo indirecto con el accionista significativo CVC Capital Partners SICAV-FIS S.A, al ser Consejera de Corporación Financiera Alba, sociedad que ha concluido un pacto parasocial con CVC	Gestión empresarial e innovación



Número total de otros consejeros externos	
% total del consejo	

OBSERVACIONES

Indique las variaciones que, en su caso, se hayan producido durante el periodo en la categoría de cada consejero:

Nombre o denominación social del consejero	Fecha del cambio	Categoría anterior	Categoría actual
Dña. Cristina Garmendia Mendizábal	17-05-2018	Independiente	Otro externo hasta 27/06/18

OBSERVACIONES

**C.1.4** Complete el siguiente cuadro con la información relativa al número de consejeras al cierre de los últimos 4 ejercicios, así como la categoría de tales consejeras:

	Número de consejeras				% sobre el total de consejeros de cada categoría			
	Ejercicio t	Ejercicio t-1	Ejercicio t-2	Ejercicio t-3	Ejercicio t	Ejercicio t-1	Ejercicio t-2	Ejercicio t-3
<b>Ejecutivas</b>	0	0	0	0	0	0	0	0
<b>Dominicales</b>	0	0	0	0	0	0	0	0
<b>Independientes</b>	1	3	3	2	8,33%	17,65%	17,65 %	11,76%
<b>Otras Externas</b>	0	0	0	0	0	0	0	0
<b>Total:</b>	1	3	2	2	8,33%	17,65%	17,65%	11,76%

OBSERVACIONES
En el cuadro precedente se ha consignado el número de consejeras vigente a fecha de cierre de cada ejercicio

**C.1.5** Indique si la sociedad cuenta con políticas de diversidad en relación con el consejo de administración de la empresa por lo que respecta a cuestiones como, por ejemplo, la edad, el género, la discapacidad, o la formación y experiencia profesionales. Las entidades pequeñas y medianas, de acuerdo con la definición contenida en la Ley de Auditoría de Cuentas, tendrán que informar como mínimo, de la política que tengan establecida en relación con la diversidad de género.

Si

No

Políticas parciales X

**En caso afirmativo, describa estas políticas de diversidad, sus objetivos, las medidas y la forma en que se ha aplicado y sus resultados en el ejercicio, también se deberán indicar las medidas concretas adoptadas por el consejo de administración y la comisión de nombramientos y retribuciones para conseguir una presencia equilibrada y diversa de consejeros.**

**En caso de que la sociedad no aplique una política de diversidad, explique las razones por las cuales no lo hace**

**Descripción de las políticas, objetivos, medidas y forma en que se han aplicado, así como los resultados obtenidos**

La política de selección de consejeros de Naturgy incluye directrices encaminadas a seleccionar candidatos cuyo nombramiento favorezca la diversidad profesional, de conocimientos y de género en el seno del Consejo de Administración. En todo caso, debe destacarse que dicha política se aplica con pleno respeto al derecho de representación proporcional legalmente reconocido a los accionistas

La Comisión de Nombramientos y Retribuciones vela por que los procedimientos de selección no adolezcan de sesgos implícitos que puedan implicar discriminación alguna.

A lo largo de 2018 se ha producido un proceso de renovación importante del Consejo de Administración, que ha afectado tanto a Consejeros dominicales como a Consejeros independientes.

En lo que respecta a los Consejeros dominicales, el proceso de renovación de Consejeros ha estado vinculado a dos circunstancias:

1.- Las variaciones en la estructura accionarial de la Sociedad, que han ocasionado la salida de los Consejeros dominicales representantes de Repsol y la entrada de los Consejeros representantes de CVC.

2.- La reducción de número de miembros del Consejo, que ha derivado en la reducción del número de Consejeros dominicales que representan a cada accionista, pasando de 3 a 2.

En el marco de este proceso de renovación de Consejeros dominicales, la Sociedad ha sido en primer lugar respetuosa con el derecho a la representación proporcional que corresponde a los accionistas por ley. El detalle de la valoración que la Comisión de Nombramientos y Retribuciones realizó de los distintos candidatos propuestos por los accionistas se incluye en el correspondiente informe de la Comisión que se publicó con la convocatoria de la Junta. En lo que respecta a los Consejeros independientes, el vencimiento del mandato de un número significativo de ellos, así como la decisión de reducción del número de Consejeros, hicieron que se propusiera a la Junta General de Accionistas la designación de 4 Consejeros independientes, hasta completar el número de 5 que resulta de la nueva configuración del Consejo.

En el momento de formular la propuesta de designación de Consejeros independientes, la Comisión de Nombramientos y Retribuciones tuvo muy presentes las conclusiones del proceso de autoevaluación del funcionamiento del Consejo en 2017, que se realizó con la intervención de un asesor externo. Este proceso de autoevaluación sirvió para que el Consejo, asistido por dicho asesor, identificara aquellos perfiles que se estimaba necesario reforzar en lo que respecta a la designación de Consejeros independientes. En particular, se concluyó en la necesidad de tener en cuenta en los procesos de nombramientos y renovaciones de Consejeros independientes los siguientes perfiles: industrial, regulatorio en materia de energía y tecnológico, así como, en general, perfiles más internacionales. Se consideró que era deseable que los nuevos candidatos contaran con conocimientos del sector energético adquiridos de manera ajena a Naturgy y disponer también de perfiles especializados en el mercado de capitales.

La propuesta de nombramiento de Consejeros que el Consejo elevó a la Junta General de Accionistas fue consistente con dicho análisis. El detalle de los elementos profesionales relevantes de los Consejeros propuestos se indicó en el correspondiente informe de la Comisión de Nombramientos y Retribuciones que se publicó junto con la demás documentación de la Junta.

**C.1.6 Explique las medidas que, en su caso, hubiese convenido la comisión de nombramientos para que los procedimientos de selección no adolezcan de sesgos implícitos que obstaculicen la selección de consejeras, y la compañía busque deliberadamente e incluya entre los potenciales candidatos, mujeres que reúnan el perfil profesional buscado:**

<b>Explicación de las medidas</b>
<p>La Comisión de Nombramientos y Retribuciones tiene encomendada la misión de revisar las aptitudes necesarias en los candidatos que deban cubrir cada vacante, el cumplimiento de los requisitos exigidos para cada categoría de Consejeros y el proceso de incorporación de los nuevos miembros, elevando al Consejo los oportunos informes o las propuestas cuando proceda. En la cobertura de nuevas vacantes se vela para que la selección no adolezca de sesgos implícitos que obstaculicen la propuesta de Consejeras, valorándose especialmente, en las mismas condiciones entre los potenciales candidatos, mujeres que reúnan el perfil buscado.</p>

**Cuando a pesar de las medidas que, en su caso, se hayan adoptado, sea escaso o nulo el número de consejeras, explique los motivos que lo justifiquen:**

<b>Explicación de los motivos</b>

La Comisión de Nombramientos y Retribuciones de la Compañía respeta plenamente el derecho legalmente reconocido a la representación proporcional de sus accionistas significativos.

**C.1.7 Explique las conclusiones de la comisión de nombramientos sobre la verificación del cumplimiento de la política de selección de consejeros. Y en particular, sobre cómo dicha política está promoviendo el objetivo de que en el año 2020 el número de consejeras represente, al menos, el 30% del total de miembros del consejo de administración.**

La Comisión de Nombramientos y Retribuciones ha verificado que la Política de selección de Consejeros ha sido cumplida en lo que se refiere a la provisión de las vacantes existentes en el Consejo, todo ello en el marco de la estructura accionarial de la Compañía, que impone el respecto a determinadas exigencias legales de representación proporcional de los accionistas. Las recomendaciones de buen gobierno corporativo deben ajustarse a este condicionante. La Comisión ha constatado que en los procesos de selección de consejeros se ha tenido en consideración el equilibrio de criterios tales como: i) conocimientos, ii) competencias, iii) diversidad y iv) experiencia.

El porcentaje de perfiles femeninos entre los Consejeros independientes representa un 20% del total, que si bien es inferior al de ejercicios anteriores, se espera aumentar de nuevo cuando proceda hacer nuevas propuestas.

**C.1.8 Explique, en su caso, las razones por las cuales se han nombrado consejeros dominicales a instancia de accionistas cuya participación accionarial es inferior al 3% del capital:**

Nombre o denominación social del accionista	Justificación

**Indique si no se han atendido peticiones formales de presencia en el consejo procedentes de accionistas cuya participación accionarial es igual o superior a la de otros a cuya instancia se hubieran designado consejeros dominicales. En su caso, explique las razones por las que no se hayan atendido:**

SI NO

Nombre o denominación social del accionista	Explicación

**C.1.9 Indique, en el caso de que existan, los poderes y las facultades delegadas por el consejo de administración en consejeros o en comisiones del consejo:**

Nombre o denominación social del consejero o comisión	Breve descripción
D. Francisco Reynes Massanet	Tiene delegadas amplias facultades de representación y administración acordes con las características y necesidades del cargo de Presidente Ejecutivo.

**C.1.10 Identifique, en su caso, a los miembros del consejo que asuman cargos de administradores, representantes de administradores o directivos en otras sociedades que formen parte del grupo de la sociedad cotizada:**

Nombre o denominación social del consejero	Denominación social de la entidad del grupo	Cargo	¿Tiene funciones ejecutivas?
e			
r			

v  
aciones

**C.1.11 Detalle, en su caso, los consejeros o representantes de consejeros personas jurídicas de su sociedad, que sean miembros del consejo de administración o representantes de consejeros, personas jurídicas de otras entidades cotizadas en mercados oficiales de valores distintas de su grupo, que hayan sido comunicadas a la sociedad:**

Nombre o denominación social del consejero	Denominación social de la entidad cotizada	Cargo
D. Ramón Adell Ramón	Oryzon Genomics, S.A.	Consejero Independiente /Presidente Comisión Auditoría
D. Marcelino Armenter Vidal	Grupo Financiero Inbursa	Representante del Consejero Critería Caixa S.A.U
D. William Alan Woodburn	Hess Midstream Partners	Consejero
D. Pedro Sainz de Baranda Riva	Zardoya Otis S.A.	Persona Física Representante de Consejero
D. Pedro Sainz de Baranda Riva	Gestamp Automocion, S.A.	Consejero
D. Jose Antonio Torre de Silva Lopez de Letona	Cortefiel, S.A.	Representante del Consejero Theatre Directorship Service Beta, S.À.R.L.

**C.1.12 Indique y, en su caso explique, si la sociedad ha establecido reglas sobre el número máximo de consejos de sociedades de los que puedan formar parte sus consejeros identificando en su caso dónde se regula:**

SI

NO X

<b>Explicación de las reglas e identificación del documento dónde se regula</b>

**C.1.13 Indique los importes de los conceptos relativos a la remuneración global del consejo de administración siguientes:**

Remuneración devengada en el ejercicio a favor del consejo de administración (miles de euros)	22.724
Importe de los derechos acumulados por los consejeros actuales en materia de pensiones (miles de euros)	360
Importe de los derechos acumulados por los consejeros antiguos en materia de pensiones (miles de euros)	3.680

<b>OBSERVACIONES</b>

**C.1.14 Identifique a los miembros de la alta dirección que no sean a su vez consejeros ejecutivos, e indique la remuneración total devengada a su favor durante el ejercicio:**

Nombre o denominación social	Cargo/s
D. Carlos Javier Álvarez Fernández	Director Financiero
D. Antonio Gallart Gabas	Director Negocio Infraestructuras Latinoamérica Zona Sur
D. José García Sanleandro	Director de Negocio Infraestructuras Latinoamérica Zona Norte
D. Antonio Basolas Tena	Director Estrategia y Desarrollo Corporativo
D. José María Egea Krauel	Director Proyecto Pipe
D. Manuel Fernández Álvarez	Director Negocio Gas & Electricidad
D. Manuel García Cobaleda	Secretaría General y del Consejo
D. Jordi García Tabernero	Director Comunicación y Relaciones Institucionales
D. Daniel López Jordà	Director Proyecto Digitalización
D. Antoni Peris Mingot	Director Recursos Corporativos
D <sup>a</sup> . Rosa M <sup>a</sup> Sanz García	Directora Negocio Infraestructuras España & Empl – Medgaz
D. Sergio Aranda Moreno	Director Proyecto Colombia
D. Miguel Angel Aller Blanco	Director Proyecto Lean
D. Steven Fernández Fernández	Director Mercado Capitales
D. Jon Ganuza Fernandez De Arroyabe	Controlling
D. Carlos Ayuso Salinas	Director de Auditoría Interna

<b>Remuneración total alta dirección (en miles de euros)</b>	<b>17.940</b>
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OBSERVACIONES
Los Sres. Daniel López Jordà y Sergi Aranda Moreno dejaron de pertenecer a la compañía en diciembre de 2018. El Sr. Steven Fernández Fernández se incorporó a la compañía en junio de 2018

**C.1.15 Indique si se ha producido durante el ejercicio alguna modificación en el reglamento del consejo:**

SI  NO

Descripción modificaciones
En la sesión de 21 de mayo de 2018 se modificó sustancialmente el Reglamento del Consejo al objeto de simplificar su contenido. Tras la celebración de la Junta de Accionistas, el 27 de junio de 2018 se modificó nuevamente el Reglamento en lo que se refiere al número de miembros de la Comisión de Nombramientos y Retribuciones para cumplir con la recomendación 47 del Código de Buen Gobierno de CNMV.

**C.1.16 Indique los procedimientos de selección, nombramiento, reelección, y remoción de los consejeros. Detalle los órganos competentes, los trámites a seguir y los criterios a emplear en cada uno de los procedimientos.**

<p>Los procedimientos de nombramiento, reelección, evaluación y remoción de los Consejeros están regulados en el artículo 7 de los Estatutos Sociales y en los artículos 9 y 10 del Reglamento de organización y funcionamiento del Consejo de Administración y sus comisiones, complementados con las disposiciones del art. 529 decies LSC.</p> <p>1.- Nombramiento:</p> <p>Es competencia de la Junta General el nombramiento de los Consejeros y la determinación de su número, dentro de los límites fijados por el artículo 7 de los Estatutos Sociales.</p> <p>Si durante el plazo para el que fueron nombrados los Consejeros se produjeran vacantes, el Consejo podrá designar por el sistema de cooptación las personas que hayan de ocuparlas hasta que se reúna la primera Junta General de accionistas.</p> <p>No se requiere la cualidad de accionista para ser nombrado Consejero.</p> <p>No podrán ser propuestos, designados o calificados como Consejeros Independientes quienes se encuentren en alguna de las situaciones que conforme a la legislación vigente impiden dicha caracterización.</p> <p>El nombramiento habrá de recaer en personas que, además de cumplir los requisitos legales y estatutarios que el cargo exige, gocen de reconocido prestigio y posean los conocimientos y experiencia profesionales adecuados al ejercicio de sus funciones.</p>
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El nombramiento y reelección de Consejeros está sujeto a un procedimiento formal y transparente, con informe/propuesta previos de la Comisión de Nombramientos y Retribuciones.

En concreto, las propuestas de nombramiento de Consejeros que someta el Consejo de Administración a la consideración de la Junta General y las decisiones de nombramiento que adopte dicho órgano en virtud de las facultades de cooptación que tiene legalmente atribuidas deberán estar precedidas de una propuesta de la Comisión de Nombramientos y Retribuciones en el caso de Consejeros Independientes o de un informe para el resto de Consejeros. Cuando el Consejo se aparte de las recomendaciones de dicha Comisión habrá de motivar y dejar constancia en acta de las razones de su proceder.

## 2.- Relección:

Los Consejeros elegidos a partir de 27 de junio de 2018 ejercerán su cargo durante el plazo máximo de cuatro años, pudiendo ser reelegidos (los elegidos hasta esa fecha tienen un mandato de 3 años). Los Consejeros designados por cooptación ejercerán su cargo en los términos establecidos por la legislación vigente.

La Comisión de Nombramientos y Retribuciones, encargada de evaluar la calidad del trabajo y la dedicación al cargo de los Consejeros propuestos durante el mandato precedente, deberá proponer en el caso de Consejeros Independientes e informar respecto del resto de Consejeros con carácter preceptivo sobre la propuesta de reelección de Consejeros que el Consejo de Administración decida presentar a la Junta General.

Los Consejeros Independientes no permanecerán en su cargo como tales por un periodo superior a doce años.

## 3.- Cese o remoción:

Los Consejeros cesarán en su cargo por el transcurso del período para el que fueron nombrados, salvo reelección y cuando lo decida la Junta General en uso de las atribuciones que ostenta. Asimismo, cesarán en los demás supuestos en que así proceda de acuerdo con la Ley, los Estatutos y el Reglamento del Consejo de Administración.

Los Consejeros deberán poner su cargo a disposición del Consejo de Administración y formalizar, si éste lo considera conveniente, la correspondiente dimisión en los casos siguientes:

- a) Cuando los Consejeros Ejecutivos cesen en las funciones ejecutivas.
- b) Cuando se vean incurso en alguno de los supuestos de incompatibilidad o prohibición previstos en las leyes, Estatutos Sociales o en este Reglamento.
- c) Cuando infrinjan gravemente sus obligaciones como Consejeros, poniendo en riesgo los intereses de la Sociedad.
- d) Cuando desaparezca la causa por la que fueron nombrados como Consejeros Independientes, Ejecutivos o Dominicales.



En todo caso, el Consejo de Administración presta especial atención a las cuestiones de diversidad y no sólo diversidad de género, en el marco del pleno respeto al derecho de los accionistas reconocido por la Ley de representación proporcional. Tal y como se ha explicado en apartados anteriores, y de conformidad con el análisis realizado en el marco del proceso de autoevaluación con asesor externo, se han identificados perfiles cuyo refuerzo se estimaba relevante de cara a fortalecer la diversidad del Consejo. Ello se ha traducido en que los miembros actuales del Consejo de Administración responden a perfiles profesionales y trayectorias distintas, complementarias unas de otras: está formado por Consejeros que responden a perfiles financieros, industriales, de gestión de empresas, jurídicos, relacionados con el mundo de la innovación y las nuevas tecnologías, o finalmente con experiencia en el mercado de capitales y la contabilidad. El Consejo se ha esforzado durante 2018 especialmente en aumentar el perfil internacional de sus miembros. El Consejo de Administración considera esta circunstancia especialmente relevante porque contribuye a fomentar una visión más completa e integradora a la hora de analizar las distintas cuestiones que se le someten.

**C.1.17 Explique en qué medida la evaluación anual del consejo ha dado lugar a cambios importantes en su organización interna y sobre los procedimientos aplicables a sus actividades:**

Descripción modificaciones
<p>La evaluación del Consejo de Administración relativa a 2017 contó con la participación de un experto independiente como asesor. Sin perjuicio de que el asesor externo concluyó en el funcionamiento altamente satisfactorio del Consejo y sus Comisiones, el Consejo constató la posibilidad de avanzar en determinadas áreas de mejora en la línea de simplificación de su funcionamiento, que dieron lugar a un Plan de acción en materia de gobierno corporativo que se acordó el 6 de marzo de 2018, con medidas encaminadas a dicha simplificación, las cuales se han ido implementando a lo largo del año 2018.</p> <p>En el marco de dicho proceso, debe encuadrarse la modificación propuesta por el Consejo a la Junta General de Accionistas de nuevos Estatutos de la Compañía, de reducción del número de Consejeros, de eliminación de la Comisión ejecutiva, de atribución a la Comisión de Nombramientos y Retribuciones de nuevas competencias en materia de gobierno corporativo.</p> <p>Adicionalmente, tal y como se ha explicado en los apartados anteriores, el informe de evaluación anual de 2017 del Consejo permitió identificar los perfiles profesionales cuya incorporación era importante lograr para avanzar en la diversidad en su composición. En particular, se concluyó en la necesidad de tener en cuenta en los procesos de nombramientos y renovaciones de Consejeros independientes los siguientes perfiles: industrial, regulatorio en materia de energía y tecnológico, así como, en general, perfiles más internacionales, además de perfiles especializados en el mercado de capitales. Este análisis fue el tenido en cuenta en lo relativo a</p>

las propuestas de designación de Consejeros independientes sometidas a la Junta General de Accionistas en 2018.

**Describa el proceso de evaluación y las áreas evaluadas que ha realizado el consejo de administración auxiliado por un consultor externo, respecto del funcionamiento y la composición de sus comisiones, y cualquier otra área o aspecto que haya sido objeto de evaluación .**

Descripción proceso evaluación y áreas evaluadas
El Consejo contó con el asesoramiento de un asesor externo para la autoevaluación de su funcionamiento durante 2017, lo que le permitió tener una base con la que afrontar el proceso de simplificación y la amplia renovación del Consejo en junio de 2018. Por ello el Consejo no ha recurrido a dicho asesoramiento externo en 2018, en el entendimiento de que es conveniente dejar pasar un cierto lapso de tiempo para poder analizar adecuadamente la eficacia de las medidas acordadas pues se han ido implementando a lo largo de todo el ejercicio 2018.

**C.1.18 Desglose, en aquellos ejercicios en los que la evaluación haya sido auxiliada por un consultor externo, las relaciones de negocio que el consultor o cualquier sociedad de su grupo mantengan con la sociedad o cualquier sociedad de su grupo.**

NO APLICA

**C.1.19 Indique los supuestos en los que están obligados a dimitir los consejeros.**

Los Consejeros cesarán en su cargo por el transcurso del período para el que fueron nombrados, salvo reelección y cuando lo decida la Junta General en uso de las atribuciones que ostenta. Asimismo, cesarán en los demás supuestos en que así proceda de acuerdo con la Ley, los Estatutos y el Reglamento del Consejo de Administración.
Los Consejeros deberán poner su cargo a disposición del Consejo de Administración y formalizar, si éste lo considera conveniente, la correspondiente dimisión en los casos siguientes:
a. Cuando los Consejeros Ejecutivos cesen en las funciones ejecutivas.
b. Cuando se vean incursos en alguno de los supuestos de incompatibilidad o prohibición previstos en las leyes, Estatutos Sociales o en este Reglamento.
c. Cuando infrinjan gravemente sus obligaciones como Consejeros, poniendo en riesgo los intereses de la Sociedad.
d. Cuando desaparezca la causa por la que fueron nombrados como Consejeros Independientes, Ejecutivos o Dominicales.

**C.1.20 ¿Se exigen mayorías reforzadas, distintas de las legales, en algún tipo de decisión?**

SI **X** NO

**En su caso, describa las diferencias.**

Descripción de las diferencias
<p>El artículo 7.4 del Reglamento del Consejo de Administración indica lo siguiente:</p> <p>“4.- Los acuerdos deberán adoptarse con el voto de la mayoría absoluta de los Consejeros que concurren, presentes o representados, salvo que la Ley, los Estatutos o el presente Reglamento establezcan una mayoría reforzada. Con carácter especial, se requerirá el voto favorable de más dos tercios de los consejeros concurrentes, presentes o representados, para la válida adopción de acuerdos sobre las siguientes materias reservadas al pleno del Consejo y, por consiguiente, indelegables:</p> <ul style="list-style-type: none"><li>a) La adquisición o enajenación de activos pertenecientes a la Sociedad (con independencia de los medios jurídicos que se utilicen a tal efecto y, en particular, aunque se realicen mediante operaciones de fusión, escisión u otros de sociedades dependientes) por importe superior a 500.000.000 euros, salvo que su aprobación corresponda a la Junta General o se realicen en ejecución del presupuesto o plan estratégico o de negocio de la Sociedad.</li><li>b) La aprobación del presupuesto y el plan estratégico o de negocio de la Sociedad.</li><li>c) La modificación de la política de distribución de dividendos y la aprobación de una nueva.</li><li>d) La suscripción, modificación, renovación, no renovación o terminación por la Sociedad de contratos de financiación o refinanciación por un importe superior a 500.000.000 euros.</li><li>e) La suscripción, modificación, renovación, no renovación o terminación por la Sociedad de cualquier contrato material, distinto de los previstos en el apartado d) anterior, cuyo importe exceda de 500.000.000 euros en el caso de contratos de aprovisionamiento de gas y de 200.000.000 euros en el caso de otros contratos.</li><li>f) Las modificaciones materiales en los criterios y políticas contables o fiscales de la Sociedad, salvo que se deban a modificaciones de la legislación aplicable o al cumplimiento de las directrices y criterios fijados por las autoridades competentes en la materia.</li><li>g) La reformulación de las cuentas anuales de la Sociedad, salvo que tal reformulación se deba a una modificación legislativa o al cumplimiento de las directrices y criterios fijados por las autoridades competentes en la materia.</li><li>h) La realización de inversiones de capital (capex) no previstas en el</li></ul>

presupuesto anual de la Sociedad por importe superior a 200.000.000 euros.  
i) La modificación de las materias de los apartados a) a i) o la modificación de la mayoría reforzada de voto prevista para cualquiera de ellas.”

**C.1.21 Explique si existen requisitos específicos, distintos de los relativos a los consejeros, para ser nombrado presidente del consejo de administración.**

SI NO **X**

Descripción de los requisitos

**C.1.22 Indique si los estatutos o el reglamento del consejo establecen algún límite a la edad de los consejeros:**

SI NO **X**

	Edad límite
Presidente	
Consejero delegado	
Consejero	

Observaciones

**C.1.23 Indique si los estatutos o el reglamento del consejo establecen un mandato limitado u otros requisitos más estrictos adicionales a los previstos legalmente para los consejeros independientes, distinto al establecido en la normativa:**

SI NO **X**

Requisitos adicionales y/o número máximo de ejercicios de mandato	
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**C.1.24 Indique si los estatutos o el reglamento del consejo de administración establecen normas específicas para la delegación del voto en el consejo de administración, la forma de hacerlo y, en particular, el número máximo de delegaciones que puede tener un consejero, así como si se ha establecido alguna limitación en cuanto a las categorías en que es posible delegar, más allá de las limitaciones impuestas por la legislación. En su caso, detalle dichas normas brevemente.**

Según lo establecido en el artículo 7.5 de los Estatutos Sociales “Los Consejeros que no puedan asistir podrán delegar su representación en otro Consejero, con o sin instrucciones de voto, debiendo comunicarlo al Presidente o al Secretario.”

Por su parte, el artículo 7.3 del Reglamento del Consejo indica “Cada Consejero podrá conferir su representación a otro Consejero, sin que esté limitado el número de representaciones que cada uno puede ostentar para la asistencia al Consejo. La representación de los Consejeros ausentes podrá conferirse por cualquier medio documental escrito, siendo válido cualquier medio electrónico dirigido a la Presidencia o a la Secretaria del Consejo antes del inicio de la sesión.”

**C.1.25 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio. Asimismo, señale, en su caso, las veces que se ha reunido el consejo sin la asistencia de su presidente. En el cómputo se considerarán asistencias las representaciones realizadas con instrucciones específicas.**

Número de reuniones del consejo	12
Número de reuniones del consejo sin la asistencia del presidente	0

<b>Observaciones</b>
Adicionalmente, ha habido dos reuniones celebradas por escrito y sin sesión, hasta totalizar 14 reuniones.

**Indíquese el número de reuniones mantenidas por el Consejero Coordinador con el resto de consejeros, sin asistencia ni representación de ningún consejero ejecutivo.**

Número de reuniones	0
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<b>Observaciones</b>
Al ser el Consejero coordinador también Presidente de la Comisión de Nombramientos y Retribuciones y haberlo sido de la de Auditoría, de la que sigue siendo miembro, ha mantenido habitualmente contactos con los Consejeros no ejecutivos y especialmente con los consejeros independientes, tanto en lo que respecta a cuestiones retributivas como de gobierno corporativo en general, que han hecho innecesaria la convocatoria de reuniones formales.

**Indique el número de reuniones que han mantenido en el ejercicio las distintas comisiones del consejo:**

Número de reuniones de la comisión ejecutiva o delegada	2
Número de reuniones del comité de auditoría	7
Número de reuniones de la comisión de nombramientos y retribuciones	10
Número de reuniones de la comisión de nombramientos	
Número de reuniones de la comisión retribuciones	
Número de reuniones de la comisión _____	

<b>Observaciones</b>

**C.1.26 Indique el número de reuniones que ha mantenido el consejo de administración durante el ejercicio con la asistencia de todos sus miembros:**

Número de reuniones con la asistencia presencial de al menos el 80% de los consejeros	12
% de asistencia presencial sobre el total de votos durante el ejercicio	93%
Número de reuniones con la asistencia presencial, o representaciones realizadas con instrucciones específicas de todos los consejeros	3
% votos emitidos con asistencia presencial y representaciones realizadas con instrucciones específicas, sobre el total de votos durante el ejercicio	Más del 90%

<b>Observaciones</b>

**C.1.27 Indique si están previamente certificadas las cuentas anuales individuales y consolidadas que se presentan al consejo para su aprobación:**

SI  NO

**Identifique, en su caso, a la/s persona/s que ha/han certificado las cuentas anuales individuales y consolidadas de la sociedad, para su formulación por el consejo:**

Nombre	Cargo
Don Carlos Javier Álvarez Fernández	Director Financiero

**C.1.28 Explique, si los hubiera, los mecanismos establecidos por el consejo de administración para evitar que las cuentas individuales y consolidadas por él formuladas se presenten en la junta general con salvedades en el informe de auditoría.**

En virtud de lo establecido en el artículo 529.4 de la Ley de Sociedades de Capital y en los Estatutos Sociales, a la Comisión de Auditoría, le corresponden, entre otras, las funciones de informar a la Junta General de Accionistas sobre las cuestiones que se planteen en relación con aquellas materias que sean competencia de la Comisión y, en particular, sobre el resultado de la auditoría explicando cómo esta ha contribuido a la integridad de la información financiera y la función que la comisión ha desempeñado en ese proceso, así como supervisar el proceso de elaboración y presentación de la información financiera preceptiva y

presentar recomendaciones o propuestas al órgano de administración, dirigidas a salvaguardar su integridad.

A estos efectos, la Comisión de Auditoría ha supervisado el proceso de elaboración de información financiera y se ha involucrado en un diálogo fluido con el auditor externo, desde el máximo respeto a su independencia, donde ha sido informada del Plan de auditoría, de los resultados preliminares y definitivos de sus análisis, y donde se ha velado específicamente por su independencia. En todo caso, es de destacar que no se han formulado salvedades a las cuentas.

**C.1.29 ¿El secretario del consejo tiene la condición de consejero?**

SI NO X

**Si el secretario no tiene la condición de consejero complete el siguiente cuadro:**

Nombre o denominación social del secretario	Representante
Don Manuel García Cobaleda	-

Observaciones

**C.1.30 Indique los mecanismos concretos establecidos por la sociedad para preservar la independencia de los auditores externos, así como, si los hubiera, los mecanismos para preservar la independencia de los analistas financieros, de los bancos de inversión y de las agencias de calificación, incluyendo cómo se han implementado en la práctica las previsiones legales.**

Entre las funciones legales que corresponden a la Comisión de Auditoría están la de establecer las oportunas relaciones con el auditor externo para recibir información sobre aquellas cuestiones que puedan suponer amenaza para su independencia, para su examen por la comisión, y cualesquiera otras relacionadas con el proceso de desarrollo de la auditoría de cuentas, y, cuando proceda, la autorización de los servicios distintos de los prohibidos, en los términos contemplados en los artículos 5, apartado 4, y 6.2.b) del Reglamento (UE) n.º 537/2014, de 16 de abril, y en lo previsto en la sección 3.ª del capítulo IV del título I de la Ley 22/2015, de 20 de julio, de Auditoría de Cuentas, sobre el régimen de independencia, así como aquellas otras comunicaciones previstas en la legislación de auditoría de cuentas y en las normas de auditoría. En todo caso, deberán recibir anualmente de los auditores externos la declaración de su independencia en relación con la entidad o entidades vinculadas a esta directa o indirectamente, así como la información detallada e individualizada de los servicios adicionales de cualquier clase prestados y los correspondientes honorarios percibidos de estas entidades por el auditor externo o por las personas o entidades vinculados a este de acuerdo con lo dispuesto en la normativa reguladora de la actividad de auditoría de cuentas.

También es función de la Comisión de Auditoría emitir anualmente, con carácter previo a la emisión del informe de auditoría de cuentas, un

informe en el que se expresará una opinión sobre si la independencia de los auditores de cuentas o sociedades de auditoría resulta comprometida. Este informe deberá contener, en todo caso, la valoración motivada de la prestación de todos y cada uno de los servicios adicionales a que hace referencia la letra anterior, individualmente considerados y en su conjunto, distintos de la auditoría legal y en relación con el régimen de independencia o con la normativa reguladora de la actividad de auditoría de cuentas.

Asimismo, el Consejo de Administración ha encomendado a la Comisión de Auditoría, entre otras, las siguientes funciones: velar que la retribución del auditor externo por su trabajo no comprometa su calidad ni su independencia y asegurar que la sociedad y el auditor externo respetan las normas vigentes sobre prestación de servicios distintos a los de auditoría, los límites a la concentración del negocio del auditor y, en general, las demás normas sobre independencia de los auditores.

Los principios que fundamentan la relación de la Compañía con analistas financieros y bancos de inversión están basados en la transparencia, simultaneidad y no discriminación, además de la existencia de interlocutores específicos y distintos para cada colectivo. Con el fin de incrementar la transparencia se ha potenciado esta área diferenciándola de la Dirección financiera.

Asimismo, la Compañía presta especial atención en no comprometer ni interferir en la independencia de los analistas financieros al respecto de los servicios prestados por los bancos de inversión, de acuerdo con los códigos internos de conducta establecidos por ellos mismos y orientados a la separación de sus servicios de análisis y de asesoramiento.

**C.1.31 Indique si durante el ejercicio la Sociedad ha cambiado de auditor externo. En su caso identifique al auditor entrante y saliente:**

SI      X      NO

Auditor saliente	Auditor entrante
PWC	E&Y

Observaciones

**En el caso de que hubieran existido desacuerdos con el auditor saliente, explique el contenido de los mismos:**

SI                      NO      X

Explicación de los desacuerdos



**C.1.32** Indique si la firma de auditoría realiza otros trabajos para la sociedad y/o su grupo distintos de los de auditoría y en ese caso declare el importe de los honorarios recibidos por dichos trabajos y el porcentaje que supone sobre los honorarios facturados a la sociedad y/o su grupo:

SI  NO

	Sociedad	Grupo	Total
Importe de otros trabajos distintos de los de auditoría (miles de euros)	181	540	721
Importe trabajos distintos de los de auditoría / Importe trabajos de auditoría (en %)	20,00%	12,60%	13,90%

Observaciones

**C.1.33** Indique si el informe de auditoría de las cuentas anuales del ejercicio anterior presenta reservas o salvedades. En su caso, indique las razones dadas por el presidente de la comisión de auditoría para explicar el contenido y alcance de dichas reservas o salvedades.

SI NO

Explicación de las razones

**C.1.34** Indique el número de ejercicios que la firma actual de auditoría lleva de forma ininterrumpida realizando la auditoría de las cuentas anuales de la sociedad. Asimismo, indique el porcentaje que representa el número de ejercicios auditados por la actual firma de auditoría sobre el número total de ejercicios en los que las cuentas anuales han sido auditadas:

	Individuales	Consolidadas
Número de ejercicios ininterrumpidos	1	1

	Individuales	Consolidadas
Nº de ejercicios auditados por la firma actual de auditoría / Nº de ejercicios que la sociedad ha sido auditada (en %)	3,57%	3,57%

Observaciones

**C.1.35 Indique y, en su caso detalle, si existe un procedimiento para que los consejeros puedan contar con la información necesaria para preparar las reuniones de los órganos de administración con tiempo suficiente:**

SI  NO

Detalle el procedimiento
<p>El artículo 6, puntos 2 y 3, del Reglamento del Consejo establece: “2.- La convocatoria de las sesiones se realizará por el Presidente, o por el Secretario o Vicesecretario por orden del Presidente, y se efectuará por cualquiera de los medios estatutariamente previstos. La convocatoria incluirá el lugar de celebración y el orden del día de la misma y, se cursará, con una antelación mínima de 5 días a la celebración de la reunión, haciendo constar el orden del día. En caso de urgencia debidamente justificada a juicio del Presidente y así apreciada por el Consejo al inicio de la reunión, se realizará una convocatoria por teléfono, fax, correo electrónico o cualquier otro medio telemático, con un preaviso suficiente que permita a los Consejeros participar en la reunión. Con carácter previo a cada reunión, los Consejeros dispondrán de la información y documentación consideradas convenientes o relevantes sobre los temas a tratar en el Consejo. Además, a los Consejeros se les entregará el acta de la sesión anterior, haya sido o no aprobada. La facultad de establecer el orden del día de las reuniones será competencia del Presidente, salvo que se trate de la convocatoria obligatoria, en cuyo caso el orden del día de la convocatoria incluirá los asuntos indicados por los Consejeros que la pidan. 3.-Será válida la constitución del Consejo, sin previa convocatoria, si se hallan presentes o representados todos los Consejeros y aceptan por unanimidad la celebración del Consejo”.</p> <p>El procedimiento seguido supone remitir, habitualmente con una semana de antelación, la convocatoria de la reunión, el orden del día y toda aquella información que esté disponible y pueda resultar útil para un más exacto conocimiento de los asuntos a tratar en la sesión del Consejo.</p> <p>A estos efectos, la documentación del Consejo se pone a disposición de los Consejeros a través de una plataforma informática, que les permite acceso permanente a la misma. Los Consejeros tienen acceso a la documentación de todos los órganos del Consejo con independencia de que sean o no miembros de alguna Comisión. Adicionalmente, se pone a disposición de los Consejeros a través de dicha plataforma otra información relevante para el ejercicio de sus funciones (hechos relevantes, novedades regulatorias, acceso a revista de prensa etc)</p> <p>Asimismo, durante la reunión están disponibles para ser llamados -y, con frecuencia, se hace uso de ello- los directivos cuyos asuntos son tratados de forma que los Consejeros puedan pedirles directamente aclaraciones, datos u opiniones en relación con los puntos tratados en la sesión y pueden apreciar directamente su capacitación para el puesto.</p> <p>.</p>

Finalmente, los Consejeros pueden solicitar información adicional que estimen necesario para el ejercicio de sus funciones a través de la Secretaría del Consejo.

**C.1.36 Indique y, en su caso detalle, si la sociedad ha establecido reglas que obliguen a los consejeros a informar y, en su caso, dimitir en aquellos supuestos que puedan perjudicar al crédito y reputación de la sociedad:**

SI  NO

Explique las reglas
<p>Conforme al artículo 11.3 del Reglamento del Consejo, el Consejero está sometido al deber de lealtad en los términos establecidos en la legislación vigente y, en particular, el epígrafe e) de dicho artículo 11.3, establece que el Consejero deberá informar a la Sociedad sobre cualquier tipo de reclamación judicial, administrativa o sobre hechos de cualquier índole en los que se encuentre implicado que, por su importancia, pudieran incidir gravemente en la reputación de la Sociedad. El Consejo examinará la cuestión y adoptará las medidas que sean aconsejables en interés de la Sociedad con la urgencia requerida.</p> <p>Asimismo, los Consejeros deberán poner su cargo a disposición del Consejo de Administración y formalizar, si éste lo considera conveniente, la correspondiente dimisión en los casos siguientes:</p> <ul style="list-style-type: none"> <li>a) Cuando los Consejeros Ejecutivos cesen en las funciones ejecutivas.</li> <li>b) Cuando se vean incursos en alguno de los supuestos de incompatibilidad o prohibición previstos en las leyes, Estatutos Sociales o en este Reglamento.</li> <li>c) Cuando infrinjan gravemente sus obligaciones como Consejeros, poniendo en riesgo los intereses de la Sociedad.</li> <li>d) Cuando desaparezca la causa por la que fueron nombrados como Consejeros Independientes, Ejecutivos o Dominicales.</li> </ul>

**C.1.37 Indique si algún miembro del consejo de administración ha informado a la sociedad que ha resultado procesado o se ha dictado contra él auto de apertura de juicio oral, por alguno de los delitos señalados en el artículo 213 de la Ley de Sociedades de Capital:**

SI NO

Nombre del Consejero	Causa Penal	Observaciones

Indique si el consejo de administración ha analizado el caso. Si la respuesta es afirmativa explique de forma razonada la decisión tomada sobre si procede o no que el consejero continúe en su cargo o, en su caso, exponga las actuaciones realizadas por el consejo de administración hasta la fecha del presente informe o que tenga previsto realizar.

SI NO X

Decisión tomada/actuación realizada	Explicación razonada

**C.1.38 Detalle los acuerdos significativos que haya celebrado la sociedad y que entren en vigor, sean modificados o concluyan en caso de cambio de control de la sociedad a raíz de una oferta pública de adquisición, y sus efectos.**

Una parte importante de las sociedades participadas por NTGY junto con socios ajenos al grupo contienen cláusulas de cambio de control que permiten al otro socio optar por adquirir las participaciones en caso de cambio de control de la sociedad tenedora del Grupo NTGY.

Por otro lado, la mayor parte de la deuda financiera viva incluye una cláusula relativa al cambio de control, ya sea por adquisición de más del 50% de las acciones con voto o por obtener el derecho a nombrar la mayoría de miembros del Consejo de NATURGY ENERGY GROUP, S.A. Dichas cláusulas están sujetas a condiciones adicionales, de modo que su activación depende de la simultaneidad de algunos de los siguientes eventos: la reducción importante de la calificación crediticia o rating provocada por el cambio de control, o la pérdida del grado de inversión por las agencias calificadoras; la incapacidad de cumplir las obligaciones financieras del contrato; un perjuicio material para el acreedor, o un cambio material adverso en la solvencia. Estas cláusulas suponen el reembolso de la deuda dispuesta si bien suelen contar con un plazo mayor al concedido en los supuestos de resolución anticipada.

En concreto, los bonos emitidos, en volumen aproximado de 9.700 Millones de Euros, como es habitual en el euromercado, serían susceptibles de vencimiento anticipado siempre que ese cambio de control provocara una caída de dos o más escalones o “full notches” en al menos dos de las tres calificaciones que tuviera y todas las calificaciones cayesen por debajo de “investment grade” y siempre que la Agencia Calificadora expresase que la reducción de la calificación crediticia viene motivada por el cambio de control.

Asimismo existen préstamos por un importe de aprox. 2.000 millones de Euros, ligados a financiaciones a largo plazo de infraestructuras con fondos del Banco Europeo de Inversiones, que podrían ser objeto de reembolso anticipado en caso de cambio de control. Para la activación de estas cláusulas además del evento del cambio de control se requiere una reducción del rating y cuentan con plazos especiales de reembolso de la deuda más extensos a los de los supuestos de resolución anticipada

**C.1.39 Identifique de forma individualizada, cuando se refiera a consejeros y de forma agregada en resto de casos e indique, de forma detallada, los acuerdos entre la sociedad y sus cargos de administración y dirección o empleados que dispongan indemnizaciones, cláusulas de garantía o blindaje, cuando éstos dimitan o sean despedidos de forma improcedente o si la relación contractual llega a su fin con motivo de una oferta pública de adquisición u otro tipo de operaciones.**

Número de beneficiarios	23
Tipo de beneficiario	Descripción del acuerdo
Anterior Consejero delegado	<p>El contrato del Consejero Delegado, que prestó servicios en la Compañía hasta febrero de 2018, establecía una indemnización por importe de tres anualidades de la retribución total a la fecha de la modificación contractual para determinados supuestos de extinción de la relación contractual: por decisión de la compañía, salvo incumplimiento muy grave y culpable de sus obligaciones profesionales que ocasione un perjuicio grave a los intereses de Naturgy, por decisión del Consejero Delegado o por finalización del contrato. Adicionalmente y en concepto de pacto de no competencia post-contractual durante un año se establecía una indemnización equivalente a una anualidad de retribución total.</p> <p>El 6 de febrero de 2018, el Consejo de Administración acordó extinguir el contrato, abonar la indemnización prevista por importe de tres anualidades de la retribución total por importe de 10.685.763 € y la compensación por pacto de no competencia por una anualidad de retribución total, esto es, 3.561.921 €, así como liquidar los importes pendientes de los distintos conceptos retributivos devengados en 2018 –fijo, variable anual y programas PREMP en curso.</p>
Actual Presidente ejecutivo	<p>El contrato del Presidente establece una indemnización por cese o por no renovación del cargo de Consejero por importe de dos anualidades del conjunto de: (i) retribución dineraria fija total anual, (ii) la retribución variable anual y (iii) en atención al concepto de retribución variable plurianual, un importe a tanto alzado equivalente al 1,25 de la retribución</p>

<p>Directivos</p>	<p>dineraria fija total anual. Este concepto sólo se multiplicará por una anualidad si al momento de devengarse no se hubiera alcanzado el objetivo de rentabilidad mínima del plan de ILP; la segunda anualidad se podrá recuperar si el objetivo mínimo se alcanzara finalmente al finalizar el plan.</p> <p>No procederá la indemnización en caso de incumplimiento grave y culpable de sus obligaciones profesionales que ocasione un perjuicio significativo a los intereses de Naturgy. Adicionalmente y en concepto de pacto de no competencia post-contractual durante un año se establece una indemnización equivalente a una anualidad de retribución fija total.</p> <p>El contrato del Presidente ejecutivo prevé la extinción del contrato y el abono de una indemnización en caso de que perdiera sus funciones ejecutivas y continuara como Presidente no ejecutivo. En tal caso, la indemnización prevista es idéntica a la del apartado anterior, pero reducida a la mitad, esto es, una sola anualidad.</p> <p>Los contratos suscritos con 16 directivos contienen una cláusula que establece una indemnización mínima de una anualidad de retribución fija en unos casos y dos anualidades de retribución en otros en determinados casos de extinción de la relación, que incluyen ciertos casos de cambio de control, despido improcedente o los supuestos contemplados en los arts. 40, 41 o 50 del Estatuto de los Trabajadores. Asimismo, estos contratos contienen una cláusula que establece una compensación equivalente a una anualidad de retribución fija por no competencia post-contractual por un período de dos años.</p> <p>Adicionalmente, 2 directivos tienen acuerdos de indemnización cuyos importes dan derecho a los mismos a percibir una indemnización mínima de una anualidad de retribución fija en unos casos y dos anualidades de retribución en otros en determinados casos de extinción de la relación, que incluyen el despido improcedente o los supuestos</p>
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	<p>contemplados en los arts. 40, 41 o 50 del Estatuto de los Trabajadores.</p> <p>Por otra parte, existen acuerdos de compensación con otros 4 directivos, equivalente a una anualidad de retribución fija por no competencia post-contractual por un período de dos años.</p>
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**Indique si más allá de en los supuestos previstos por la normativa estos contratos han de ser comunicados y/o aprobados por los órganos de la sociedad o de su grupo. En caso positivo, especifique los procedimientos, supuestos previstos y la naturaleza de los órganos responsables de su aprobación o de realizar la comunicación:**

	<b>Consejo de administración</b>	<b>Junta general</b>
<b>Órgano que autoriza las cláusulas</b>	SI	NO

	<b>SI</b>	<b>NO</b>
<b>¿Se informa a la junta general sobre las cláusulas?</b>	X	

<b>Observaciones</b>
En relación con las cláusulas del personal directivo, se informa a la Comisión de Nombramientos y Retribuciones y al Consejo de sus términos y sus beneficiarios

## **C.2. Comisiones del consejo de administración**

**C.2.1 Detalle todas las comisiones del consejo de administración, sus miembros y la proporción de consejeros ejecutivos, dominicales, independientes y otros externos que las integran:**

### **COMISIÓN EJECUTIVA O DELEGADA**

Nombre	Cargo	Categoría

% de consejeros ejecutivos	
% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	

<b>Observaciones</b>
<b>NO APLICA AL NO EXISTIR EN LA ACTUALIDAD COMISION EJECUTIVA</b>

**Explique las funciones que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma y resuma sus actuaciones más importantes durante el ejercicio.**

No aplica
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**Indique si la composición de la comisión delegada o ejecutiva refleja la participación en el consejo de los diferentes consejeros en función de su categoría:**

**SI                      NO**

En caso negativo, explique la composición de su comisión delegada o ejecutiva
<b>NO APLICA.</b>

**COMISIÓN DE AUDITORÍA**

<b>Nombre</b>	<b>Cargo</b>	<b>Categoría</b>
Don Francisco Belil Creixell	Presidente	Independiente
Don Ramón Adell Ramón	Vocal	Independiente
Don Enrique Alcántara-García Irazoqui	Vocal	Dominical
Don Pedro Sainz de Baranda Riva	Vocal	Independiente
Doña Helena Herrero Starkie	Vocal	Independiente
Don Rajaram Rao	Vocal	Dominical
Theatre Directorship Services Beta, S.À.R.L., representada por Don Jose Antonio Torre de Silva Lopez de Letona	Vocal	Dominical

% de consejeros dominicales	42,86%
% de consejeros independientes	57,14%
% de otros externos	-

<b>Observaciones</b>
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Explique las funciones incluyendo en su caso las adicionales a las previstas legalmente, que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas ya sea en la ley o en los estatutos u otros acuerdos sociales.

**a) Funciones de la Comisión de Auditoría:**

La Comisión tiene las competencias que le señala la Ley y las que le sean encomendadas por el Consejo de Administración con carácter general o particular.

En atención a distintos acuerdos del Consejo de Administración de 27 de noviembre de 2015, 29 de enero de 2016 y 6 de marzo de 2018, ejerce las siguientes funciones:

- Elaborar el informe sobre la independencia del Auditor.
- Elaborar el Informe sobre el funcionamiento de la Comisión de Auditoría.
- Elaborar el Informe sobre operaciones vinculadas.
- Velar porque el Consejo de Administración procure presentar las cuentas a la Junta General de accionistas sin limitaciones ni salvedades en el informe de Auditoría y que, en los supuestos excepcionales en que existan salvedades, tanto el Presidente de la Comisión como los Auditores, expliquen con claridad a los accionistas el contenido y alcance de dichas limitaciones.
- En relación con los sistemas de información y control:
  - (a) Supervisar el proceso de elaboración y la integridad de la información financiera relativa a la sociedad y, en su caso, al grupo, revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.
  - (b) Velar por la independencia de la unidad que asume la función de auditoría interna; aprobar la orientación y sus planes de trabajo, asegurándose de que su actividad esté enfocada principalmente hacia los riesgos relevantes de la sociedad; recibir información periódica sobre sus actividades; y verificar que la alta dirección tenga en cuenta las conclusiones y recomendaciones de sus informes. Proponer al Presidente del Consejo de Administración la selección, nombramiento, reelección y cese del responsable del servicio de auditoría interna, así como proponer el presupuesto de ese servicio, correspondiendo la decisión última al Presidente del

Consejo de Administración.

- (c) Establecer y supervisar un mecanismo que permita a los empleados comunicar, de forma confidencial y, si resulta posible y se considera apropiado, anónima, las irregularidades de potencial trascendencia, especialmente financieras y contables, que adviertan en el seno de la empresa.
- En relación con el auditor externo.
  - (a) En caso de renuncia del auditor externo, examinar las circunstancias que la hubieran motivado.
  - (b) Velar que la retribución del auditor externo por su trabajo no comprometa su calidad ni su independencia.
  - (c) Supervisar que la sociedad comunique como hecho relevante a la Comisión Nacional del Mercado de Valores el cambio de auditor y lo acompañe de una declaración sobre la eventual existencia de desacuerdos con el auditor saliente y, si hubieran existido, de su contenido.
  - (d) Asegurar que el auditor externo mantenga anualmente una reunión con el pleno del consejo de administración para informarle sobre el trabajo realizado y sobre la evolución de la situación contable y de riesgos de la sociedad.
  - (e) Asegurar que la sociedad y el auditor externo respetan las normas vigentes sobre prestación de servicios distintos a los de auditoría, los límites a la concentración del negocio del auditor y, en general, las demás normas sobre independencia de los auditores.
- Convocar a cualquier empleado o directivo de la Sociedad, e incluso disponer que comparezcan sin presencia de ningún otro directivo.
- Analizar e informar al Consejo de Administración sobre las condiciones económicas y el impacto contable y, en especial, en su caso, sobre la ecuación de canje, en relación a las operaciones de modificaciones estructurales y corporativas que por su naturaleza o cuantía tengan especial relevancia. Se entenderá que tienen dicha relevancia las operaciones cuyo valor neto supere el valor del 25% de los activos que figuren en el último balance aprobado de la Sociedad.
- Adicionalmente:
  - (a) La supervisión del cumplimiento de los códigos internos de conducta.
  - (b) La supervisión de la estrategia de comunicación y relación con accionistas e inversores, incluyendo los pequeños y medianos accionistas.

(c) La evaluación periódica de la adecuación del sistema de gobierno corporativo de la sociedad

(d) La supervisión y evaluación de los procesos de relación con los distintos grupos de interés.

(e) La evaluación de los riesgos no financieros de la empresa

## **b) Procedimientos y reglas de organización y funcionamiento**

### **Conforme al art. 26 Reglamento del Consejo**

La Comisión de Auditoría estará constituida por un mínimo de tres y un máximo de siete Consejeros, designados por el Consejo de Administración de entre los Consejeros no Ejecutivos, y al menos uno de ellos será designado teniendo en cuenta los conocimientos y experiencia en materia de contabilidad, auditoría o en ambas. Sus miembros cesarán cuando los hagan en su condición de Consejeros, cuando así lo acuerde el Consejo de Administración.

La mayoría de los miembros de la Comisión tendrán la categoría de Consejero Independiente, de entre los cuales, el Consejo de Administración elegirá al Presidente de la Comisión, quien no tendrá voto de calidad. La secretaría de la Comisión corresponderá a la Secretaría del Consejo de Administración si bien podrá actuar como secretario de la Comisión el Vicesecretario, si lo hubiere.

La Comisión, convocada por su Presidente, se reunirá, cuando sea necesario para la emisión de los informes o propuestas de su competencia o cuando lo estime conveniente su Presidente o previa solicitud de dos de sus miembros y, al menos, cuatro veces al año. La Comisión podrá invitar a sus reuniones a cualquier directivo o empleado que considere conveniente.

### **c) Actuaciones más importantes durante el ejercicio de 2018:**

En ejercicio de sus competencias durante el ejercicio ha informado y/o adoptado propuestas sobre, entre otras, las materias siguientes:

- Calidad y eficiencia de su funcionamiento.
- Auditoría externa de las cuentas anuales individuales y consolidadas.
- Supervisión del proceso de elaboración de Información económica.
- Situación fiscal.
- Independencia del Auditor.
- Operaciones vinculadas.
- Verificación del sistema de prevención penal.
- Supervisión de los sistemas de control de riesgos y análisis de riesgos específicos
- Supervisión de los sistemas de control interno y de auditoría interna

**Identifique a los consejeros miembros de la comisión de auditoría que haya sido designado teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas e informe sobre la fecha de nombramiento del Presidente de esta comisión lleva en el cargo.**

Nombre de los consejeros con experiencia	DON RAMÓN ADELL RAMÓN
Fecha de nombramiento del presidente en el cargo	27/06/2018

**OBSERVACIONES**

**COMISIÓN DE NOMBRAMIENTOS Y RETRIBUCIONES**

Nombre	Cargo	Categoría
Don Ramon Adell Ramon	Presidente	Independiente
Don Francisco Belil Creixell	Vocal	Independiente
Don Pedro Sainz De Baranda Riva	Vocal	Independiente
Claudi Santiago Ponsa	Vocal	Independiente
Don Marcelino Armenter Vidal	Vocal	Dominical
Don William Alan Woodburn	Vocal	Dominical
Rioja Bidco Shareholdings Slu D. Javier De Jaime Guijarro	Vocal	Dominical

% de consejeros dominicales	42,86%
% de consejeros independientes	57,14%
% de otros externos	-

<b>Observaciones</b>

**Explique las funciones que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma. Para cada una de estas funciones, señale sus actuaciones más importantes durante el ejercicio y cómo ha ejercido en la práctica cada una de las funciones que tiene atribuidas ya sea en la ley o en los estatutos u otros acuerdos sociales.**

**a) Funciones de la Comisión de Nombramientos y Retribuciones:**

La Comisión tiene las competencias que le señala la Ley y las que le sean encomendadas por el Consejo de Administración con carácter general o particular.

En Consejo de Administración le ha encomendado las funciones siguientes:

- Elaborar el informe sobre el funcionamiento de la Comisión de Nombramientos y Retribuciones.
- Verificar la política de selección de Consejeros e informar de ello en el Informe Anual de Gobierno Corporativo.
- Por delegación que le debe otorgar el Presidente del Consejo, organizar y coordinar la evaluación periódica del Consejo y la del primer ejecutivo de la Sociedad.
- Elaborar el informe sobre el funcionamiento del Consejo de Administración.
- Proponer al Consejo de Administración las condiciones básicas de los contratos de los altos directivos.
- Comprobar la observancia de la política retributiva establecida por la Sociedad.
- Revisar periódicamente la política de remuneraciones aplicada a los consejeros y altos directivos.
- Velar por que los eventuales conflictos de intereses no perjudiquen la independencia del asesoramiento externo prestado a la comisión.
- Verificar la información sobre remuneraciones de los consejeros y altos directivos contenida en los distintos documentos corporativos.
  
- Por acuerdo del Consejo de Administración de 29 de enero de 2016 se le encomendó ejercitar todas las competencias en materia de responsabilidad social corporativa que hasta dicha fecha eran ejercidas por la Comisión de Auditoría.
- Por acuerdo del Consejo de Administración de 6 de marzo de 2018 se acuerda encomendar a la Comisión de Nombramientos y Retribuciones las tareas que hasta ahora correspondían a la Comisión de Auditoría siguientes:
  - i) Seguimiento de las incidencias más relevantes en materia de seguridad, salud y medioambiente.
  - ii) Elevar propuestas e informar las iniciativas en materia de gobierno corporativo.

## **b) Procedimientos y reglas de organización y funcionamiento**

### **conforme al art. 25 Reglamento Consejo**

La Comisión de Nombramientos y Retribuciones estará constituida por un mínimo de tres y un máximo de siete Consejeros, designados por el Consejo de Administración de entre los Consejeros no Ejecutivos, y al menos uno de ellos será designado teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas. Sus miembros cesarán cuando lo hagan en su condición de Consejeros o cuando así lo acuerde el Consejo de Administración.

La mayoría de los miembros de la Comisión tendrán la categoría de Consejero Independiente de entre los cuales el Consejo de Administración elegirá al Presidente de la misma, quien no tendrá voto de calidad. La secretaría de la Comisión corresponderá a la secretaría del Consejo de Administración si bien podrá actuar como secretario de la Comisión el Vicesecretario, si lo hubiere.

La Comisión, convocada por su Presidente, se reunirá cuando sea necesario

para la emisión de los informes o propuestas de su competencia o lo cuando lo estime conveniente su Presidente o previa solicitud de dos de sus miembros y al menos, cuatro veces al año. La Comisión podrá invitar a sus reuniones a cualquier directivo o empleado que considere conveniente.

**c) Actuaciones más importantes durante el ejercicio de 2018:**

La Comisión de Nombramientos y Retribuciones ha centrado su actuación en tres aspectos fundamentales:

- i) Gobierno corporativo: ha propuesto la adopción e implementación de un Plan Acción en materia de gobierno corporativo, que incluía importantes medidas de simplificación (reducción del número de consejeros, modificaciones en los principales textos normativos, etc)
- ii) Propuesta de nuevos Consejeros: a la vista de los perfiles cuyo reforzamiento se detectó a raíz del proceso de autoevaluación realizado con la ayuda de asesor externo, ha analizado y emitido opinión acerca de los candidatos a cubrir los puestos de Consejeros dominicales y formulado las correspondientes propuestas en lo que se refiere a consejeros independientes.
- iii) Retribuciones: se ha analizado en detalle el nuevo esquema retributivo del Presidente ejecutivo y de la alta dirección, en especial, en lo que respecta al nuevo incentivo a largo plazo. Se ha analizado igualmente la política de remuneraciones de la Compañía, para su aprobación por la Junta.

Adicionalmente, ha trabajado sobre los siguientes aspectos:

- Calidad y eficiencia de su funcionamiento.
- Supervisión modelo de responsabilidad social corporativa
- Seguridad y Salud

**COMISIÓN DE NOMBRAMIENTOS**

Nombre	Cargo	Categoría

% de consejeros dominicales
% de consejeros independientes
% de otros externos

<b>Observaciones</b>

**Explique las funciones que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma y resuma sus actuaciones más importantes durante el ejercicio.**

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**COMISIÓN DE RETRIBUCIONES**

Nombre	Cargo	Categoría

% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	

**Explique las funciones que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma y resuma sus actuaciones más importantes durante el ejercicio.**

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**COMISIÓN DE \_\_\_\_\_**

Nombre	Cargo	Categoría

% de consejeros dominicales	
% de consejeros independientes	
% de otros externos	

**Explique las funciones que tiene atribuidas esta comisión, describa los procedimientos y reglas de organización y funcionamiento de la misma y resuma sus actuaciones más importantes durante el ejercicio.**

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**C.2.2 Complete el siguiente cuadro con la información relativa al número de consejeras que integran las comisiones del consejo de administración durante los últimos cuatro años:**

	Número de consejeras							
	Ejercicio 2018		Ejercicio 2017		Ejercicio 2016		Ejercicio 2015	
	Número	%	Número	%	Número	%	Número	%
<b>Comisión ejecutiva</b>	-	-	1	10%	1	10%	0	0
<b>Comisión de auditoría</b>	1	14,28%	2	28,57%	2	28,57%	0	0
<b>Comisión de nombramientos y retribuciones</b>	0	0%	1	20%	1	20%	1	33%
<b>Comisión de nombramientos</b>	-	-	-	-	-	-	-	-
<b>Comisión de</b>	-	-	-	-	-	-	-	-

retribuciones								
Comisión de _____	-	-	-	-	-	-	-	-

**C.2.3 Indique, en su caso, la existencia de regulación de las comisiones del consejo, el lugar en que están disponibles para su consulta, y las modificaciones que se hayan realizado durante el ejercicio. A su vez, se indicará si de forma voluntaria se ha elaborado algún informe anual sobre las actividades de cada comisión.**

Las Comisiones del Consejo se hallan reguladas en los Estatutos Sociales y en el Reglamento organización y funcionamiento del Consejo de Administración de NATURGY y sus Comisiones.

Ambos documentos se encuentran publicados en la página web de la Compañía ([www.naturgy.com](http://www.naturgy.com)) →Accionistas e inversores →Gobierno Corporativo →Normas de gobierno corporativo.

Tanto la Comisión Ejecutiva como la Comisión de Auditoría y la Comisión de Nombramientos y Retribuciones han elaborado un informe sobre la calidad y eficacia de su funcionamiento durante el ejercicio anterior.

## **D OPERACIONES VINCULADAS Y OPERACIONES INTRAGRUPU**

**D.1 Explique, en su caso, el procedimiento para la aprobación de operaciones con partes vinculadas e intragrupo.**

Procedimiento para informar la aprobación de operaciones vinculadas
<p>Conforme al art. 3.II h) del Reglamento del Consejo de Administración entre las competencias indelegables del Consejo pero que podrán adoptarse por la Comisión Ejecutiva o por el/los Consejero/s Delegado/s, por razones de urgencia debidamente justificadas y que deberán ser ratificadas en el primer Consejo de Administración que se celebre tras la adopción de la decisión está la aprobación, previo informe de la Comisión de Auditoría, de las operaciones que la Sociedad o sociedades de su grupo realicen con consejeros, en los términos establecidos en la legislación vigente, o con accionistas titulares, de forma individual o concertadamente con otros, de una participación significativa, incluyendo accionistas representados en el Consejo de Administración de la Sociedad o de otras sociedades que formen parte del mismo grupo o con personas a ellos vinculadas.</p> <p>En algunas circunstancias y de manera limitada, el Consejo ha otorgado autorizaciones genéricas de operaciones vinculadas con alguno de sus accionistas, siempre en cuestiones de índole menor vinculadas al tráfico ordinario de la Sociedad, y con la exigencia de que se realicen en condiciones de mercado y con la obligación de dar cuenta anualmente a la Comisión de Auditoría del uso de dicha autorización</p> <p>En lo que se refiere a las operaciones con CAIXABANK, dicha entidad estaba controlada y formaba grupo con CRITERIA hasta 2017 cuando se han cumplido las condiciones establecidas por el BCE para la desconsolidación.</p>



**D.2 Detalle aquellas operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los accionistas significativos de la sociedad:**

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
CRITERIA CAIXA S.A.U	Naturgy Energy Group, S.A.	Comercial	Recepción de servicios	12
CRITERIA CAIXA S.A.U	Naturgy Energy Group, S.A.	Comercial	Prestación de servicios	36
CRITERIA CAIXA S.A.U	Naturgy Energy Group, S.A.	Comercial	Ventas de bienes terminados o no	3.095
CRITERIA CAIXA S.A.U	Naturgy Energy Group, S.A.	Comercial	Dividendos y otros beneficios distribuidos	346.808
Repsol, S.A.	Naturgy Energy Group, S.A.	Comercial	Recepción de servicios	3.944
Repsol, S.A.	Naturgy Energy Group, S.A.	Comercial	Compras de bienes terminados o no	160.003
Repsol, S.A.	Naturgy Energy Group, S.A.	Comercial	Prestación de servicios	20.545
Repsol, S.A.	Naturgy Energy Group, S.A.	Comercial	Ventas de bienes terminados o no	367.115
Repsol, S.A.	Naturgy Energy Group, S.A.	Comercial	Compras de inmovilizado material	295
CVC Capital Partners Sicav-Fis S.A.	Naturgy Energy Group, S.A.	Comercial	Dividendos y otros beneficios distribuidos	281.202
Gip III Canary 1, S.À R.L.	Naturgy Energy Group, S.A.	Comercial	Dividendos y otros beneficios distribuidos	280.193

Observaciones

**D.3 Detalle las operaciones significativas por su cuantía o relevantes por su materia realizadas entre la sociedad o entidades de su grupo, y los administradores o directivos de la sociedad:**

Nombre o denominación social de los administradores o directivos	Nombre o denominación social de la parte vinculada	Vínculo	Naturaleza de la operación	Importe (miles de euros)

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<b>Observaciones</b>

**D.4 Informe de las operaciones significativas realizadas por la sociedad con otras entidades pertenecientes al mismo grupo, siempre y cuando no se eliminen en el proceso de elaboración de estados financieros consolidados y no formen parte del tráfico habitual de la sociedad en cuanto a su objeto y condiciones.**

**En todo caso, se informará de cualquier operación intragrupo realizada con entidades establecidas en países o territorios que tengan la consideración de paraíso fiscal:**

Denominación social de la entidad de su grupo	Breve descripción de la operación	Importe (miles de euros)

<b>Observaciones</b>

**D.5 Indique el importe de las operaciones realizadas con otras partes vinculadas.**

0 (en miles de Euros).

**D.6 Detalle los mecanismos establecidos para detectar, determinar y resolver los posibles conflictos de intereses entre la sociedad y/o su grupo, y sus consejeros, directivos o accionistas significativos.**

1.- Consejeros:

Conforme al Reglamento del Consejo:

El Consejero está sometido al deber de lealtad en los términos establecidos en la legislación vigente y, en particular:

- El Consejero deberá abstenerse de participar en la deliberación y votación de acuerdos o decisiones en las que él o una persona vinculada tenga un conflicto de intereses, directo o indirecto. Se excluirán de la anterior obligación de abstención los acuerdos o decisiones que le afecten en su condición de administrador, tales como su designación o revocación para cargos en el órgano de administración u otros de análogo significado.
- El Consejero también deberá adoptar las medidas necesarias para evitar incurrir en situaciones en las que sus intereses, sean por cuenta propia o ajena, puedan entrar en conflicto con el interés social y con sus deberes para con la Sociedad.
- En su condición de representante leal de la Sociedad deberá informar a esta última de las acciones de la misma, de que sea titular, directamente o a través de

sociedades en las que tenga una participación significativa, siguiendo el procedimiento y demás trámites que se establezcan sobre inversión en acciones de NATURGY ENERGY GROUP S.A. y Sociedades participadas.

- El Consejero deberá notificar a la Sociedad los cambios significativos en su situación profesional y los que afecten al carácter o categoría en que se halle clasificado.

- El Consejero informará a la Sociedad sobre cualquier tipo de reclamación judicial, administrativa o sobre hechos de cualquier índole en los que se encuentre implicado que, por su importancia, pudieran incidir gravemente en la reputación de la Sociedad. El Consejo examinará la cuestión y adoptará las medidas que sean aconsejables en interés de la Sociedad con la urgencia requerida.

El Consejo de Administración procurará evitar en todo momento que los Consejeros Dominicales hagan uso de su posición para obtener ventajas patrimoniales sin contrapartida adecuada, en beneficio del accionista que les propuso para el cargo.

El Consejero deberá abstenerse de desarrollar actividades por cuenta propia o cuenta ajena que entrañen una competencia efectiva, sea actual o potencial, con la Sociedad o que, de cualquier otro modo, le sitúen en un conflicto permanente con los intereses de la Sociedad. En particular, el Consejero no podrá desempeñar, por sí o por persona interpuesta, cargos de todo orden en las empresas o sociedades competidoras de NATURGY ENERGY GROUP S.A. o de cualquier empresa de su Grupo, ni tampoco prestar a favor de las mismas servicios de representación o de asesoramiento. Se entenderá que una sociedad es competidora de NATURGY ENERGY GROUP S.A. cuando, directa o indirectamente, o a través de las sociedades de su Grupo, se dedique a cualquiera de las actividades incluidas en el objeto social de ésta.

## 2.- Consejeros y Directivos:

Por otra parte, conforme al art. 5 del Reglamento Interno de Conducta en Materias relativas a los Mercados de Valores (RIC), las Personas con Responsabilidades de Dirección y las Personas Iniciadas, durante determinados períodos de tiempo se abstendrán de realizar operaciones, por su cuenta o por cuenta de un tercero, directa o indirectamente sobre los Valores Afectados ((i) Los valores mobiliarios emitidos por la Sociedad y/o por las sociedades del Grupo NTGY que se negocien en un mercado secundario u otros mercados regulados, en sistemas multilaterales de negociación o en otros mercados secundarios organizados, o respecto de los cuales se haya cursado una solicitud de admisión a negociación en uno de tales mercados o sistemas, (ii) Los instrumentos financieros y contratos de cualquier tipo que otorguen el derecho a la adquisición de los valores indicados en (i), (iii) Los instrumentos financieros y contratos cuyo subyacente sean los valores indicados en (i) y (iv) A los solos efectos de las normas de conducta en relación con la información privilegiada contenida en el Título III del Reglamento, los valores e instrumentos financieros emitidos por otras sociedades o entidades distintas a la Sociedad, respecto de los que se disponga de Información Privilegiada.)

Auditoría Interna, previa solicitud por escrito a la Secretaria del Consejo por parte del interesado, podrá autorizar a las Personas con Responsabilidades de Dirección a realizar operaciones personales sobre valores Afectados en los períodos en los que existe la prohibición general cuando se den y justifiquen determinadas circunstancias previstas en el propio RIC. Auditoría Interna informará al menos una vez al año a la Comisión de Auditoría sobre las

autorizaciones que hubieran sido solicitadas.

Por su parte, conforme al apartado 4.10 del Código Ético, los empleados deberán informar a la empresa en el caso de que ellos o sus familiares cercanos participen o vayan a participar en los órganos de gobierno de otras sociedades que puedan entrar en colisión con los intereses de NTGY. Durante el desempeño de sus responsabilidades profesionales, los empleados deben actuar con lealtad y atendiendo a la defensa de los intereses del grupo. Asimismo, deben evitar situaciones que puedan dar lugar a un conflicto entre los intereses personales y los de la empresa. Por ello, los empleados de NTGY deben abstenerse de representar a la empresa e intervenir o influir en la toma de decisiones en cualquier situación en la que directa o indirectamente tengan un interés personal.

### 3.- Accionistas significativos:

Corresponde al Consejo de Administración, previo informe de la Comisión de Auditoría, la aprobación de las operaciones que la Sociedad o sociedades de su grupo realicen con consejeros, en los términos establecidos en la legislación vigente, o con accionistas titulares, de forma individual o concertadamente con otros, de una participación significativa, incluyendo accionistas representados en el Consejo de Administración de la Sociedad o de otras sociedades que formen parte del mismo grupo o con personas a ellos vinculadas.

## D.7 ¿Cotiza más de una sociedad del Grupo en España?

SI NO

**Identifique a las sociedades filiales que cotizan en España:**

Sociedades filiales cotizadas

**Indique si han definido públicamente con precisión las respectivas áreas de actividad y eventuales relaciones de negocio entre ellas, así como las de la sociedad dependiente cotizada con las demás empresas del grupo:**

SI NO

Defina las eventuales relaciones de negocio entre la sociedad matriz y la sociedad filial cotizada, y entre ésta y las demás empresas del grupo

**Indique los mecanismos previstos para resolver los eventuales conflictos de intereses entre la filial cotizada y las demás empresas del grupo:**

Mecanismos para resolver los eventuales conflictos de interés

**E.1 Explique el alcance del Sistema de Gestión de Riesgos de la sociedad incluidos los de naturaleza fiscal.**

El Sistema de Gestión de Riesgos funciona de forma integral y continua, e incorpora las visiones de Gobierno Corporativo, Riesgos y Cumplimiento de la Compañía posibilitando una visión completa de los procesos del Grupo, los controles existentes sobre los mismos y el riesgo asociado.

El sistema asegura la independencia de las funciones de control y gestión de riesgos atribuidas a cada uno de los órganos y unidades responsables y se ocupa de determinar límites para las principales categorías de riesgo con el objetivo de definir el perfil global de riesgo objetivo de la Compañía, garantizando la predictibilidad de su desempeño en todos los aspectos relevantes para sus grupos de interés.

La gestión global del riesgo tiene como objetivo principal garantizar que los riesgos más relevantes sean correctamente identificados, evaluados y gestionados, con la finalidad de asegurar que el nivel de exposición al riesgo asumido por Naturgy en el desarrollo de sus actividades sea congruente con el perfil global de riesgo objetivo definido y con la consecución de los objetivos anuales y estratégicos.

**E.2 Identifique los órganos de la sociedad responsables de la elaboración y ejecución del Sistema de Gestión de Riesgos incluido el fiscal.**

**El Comité de Riesgos**

Evalúa y determina recurrentemente el perfil de riesgo global de Naturgy, a partir de la información que se solicite a las diferentes Unidades responsables y propone los límites de riesgo globales para su consideración y aprobación por parte del Presidente, determinándose de este modo el perfil global de riesgo objetivo.

**El Área Financiera**

A través de su unidad de Riesgos y Seguros, es responsable de dar apoyo al Comité de Riesgos en la determinación y seguimiento del perfil global de riesgo y la determinación del perfil de riesgo objetivo, a través de la concreción de políticas y métricas en coordinación con las unidades de negocio afectas. En particular se responsabiliza de coordinar con las unidades relevantes y emitir los informes de riesgos recurrentes a trasladar al Consejo de Administración, entre ellos el Mapa Corporativo de Riesgos.

**Auditoría Interna**

Es responsable de garantizar una supervisión eficaz del sistema de control interno que asegure la eficiencia y eficacia en las operaciones, la transparencia y fiabilidad de la información financiera y de gestión, la salvaguarda de los activos del grupo y el cumplimiento de la normativa interna y externa aplicable, así como realizar aportaciones independientes y objetivas para agregar valor y mejorar las operaciones de la organización y contribuir a los intereses de los accionistas. Asimismo, a través de las auditorías oportunas, se encarga de examinar el nivel de cumplimiento de la presente Política de Control y Gestión de Riesgos y de los procedimientos que la

desarrollen.

### **La Comisión de Auditoría**

Es un órgano consultivo que presta asesoramiento especializado en todo aquello que tenga relación con la auditoría externa, los sistemas de gestión de riesgos y control interno.

### **Las Unidades de Negocio, Servicio y Proyectos**

Son responsables de la gestión del riesgo en sus ámbitos de responsabilidad, observando, reportando, gestionando y mitigando los diferentes riesgos que se hayan identificado.

### **E.3 Señale los principales riesgos, incluidos los fiscales, que pueden afectar a la consecución de los objetivos de negocio.**

	Descripción	Gestión
Riesgo de mercado		
Precio del gas	Volatilidad en los mercados internacionales que determinan el precio del gas.	Coberturas físicas y financieras. Gestión de la cartera
Precio de la electricidad	Volatilidad en los mercados de electricidad en España y Portugal.	Coberturas físicas y financieras. Optimización del parque de generación.
Volumen de gas	Desajuste entre la oferta y la demanda de gas.	Optimización de contratos y activos. Trading.
Volumen de electricidad	Reducción del hueco térmico disponible. Incertidumbre en el volumen de producción hidráulica.	Optimización del balance de comercialización/generación.
Regulación	Exposición a la revisión de los criterios y niveles de rentabilidad reconocida para las actividades reguladas.	Intensificación de la comunicación con organismos reguladores. Ajuste de eficiencias e inversiones a las tasas reconocidas.
Tipo de cambio	Volatilidad en los mercados internacionales de divisa.	Diversificación geográfica. Coberturas mediante financiación en moneda local y derivados. Seguimiento de la posición neta.
Tipo de interés y spread crediticio	Volatilidad en los tipos de financiación.	Coberturas financieras. Diversificación de fuentes de financiación.

Fiscal	Ambigüedad o subjetividad en la interpretación de la normativa fiscal vigente, o bien por la alteración relevante de la misma.	Consultas a organismos expertos independientes. Contratación de firmas asesoras de primer nivel. Adhesión al Código de Buenas Prácticas Tributarias. Dotación de provisiones con criterios de prudencia.
Riesgo de crédito		
Crédito	Incertidumbre sobre la evolución de los ratios de morosidad condicionados por el ciclo económico.	Análisis de solvencia de clientes para definir condiciones contractuales específicas. Proceso de recobro.
Riesgo operacional		
Operacional: imagen y reputación	Deterioro de la percepción de NTGY desde diferentes grupos de interés.	Identificación y seguimiento de potenciales eventos reputacionales. Transparencia en la comunicación.
Operacional: asegurable	Accidentes, daños o indisponibilidades en los activos de NTGY.	Planes de mejora continua. Optimización del coste total del riesgo y de las coberturas.
Operacional: medio ambiente	Daños al entorno natural y/o social. Evolución de la regulación ambiental.	Planes de emergencia en instalaciones con riesgo de accidente ambiental. Pólizas de seguro específicas. Gestión integral ambiental.
Operacional: cambio climático	Evolución de factores medioambientales consecuencia del cambio climático. Regulación orientada a combatirlo.	Posicionamiento corporativo frente al cambio climático. Participación activa en foros de influencia.
Operacional: ciberseguridad	Ataques informáticos	Implementación medidas seguridad Análisis de eventos y aplicación de remedios Formación

**E.4 Identifique si la entidad cuenta con un nivel de tolerancia al riesgo incluido el fiscal.**

La compañía cuenta con niveles de tolerancia al riesgo establecidos a nivel corporativo para las principales tipologías de riesgo.

El proceso de evaluación de riesgos nace en la identificación de los mismos, generalmente por parte de los negocios que soportan la exposición. Dicha

identificación se produce en el momento de originarse la exposición. No obstante, anualmente se realiza una revisión en profundidad por parte de las Unidades de Riesgos para garantizar la correcta identificación de todas las exposiciones, tanto actuales como potenciales.

Es responsabilidad de las Unidades de Riesgos realizar la evaluación de los riesgos identificados, atendiendo a:

- a) Posición en riesgo: Definición y características.
- b) Variables de impacto.
- c) Severidad cualitativa y cuantitativa en caso de materialización del riesgo.
- d) Probabilidad de ocurrencia.
- e) Controles y mecanismos de mitigación empleados y efectividad de los mismos.

Finalmente, propondrá un nivel de tolerancia para las tipologías identificadas, que será aprobado por el Comité de Riesgos.

**E.5 Indique qué riesgos, incluidos los fiscales, se han materializado durante el ejercicio.**

Los riesgos materializados durante el ejercicio han sido inherentes a la propia actividad desarrollada, como por ejemplo: exposición a riesgos regulatorios, volatilidad de combustibles y del pool en España, de tipo de cambio, de tipo de interés, de crédito o contraparte.

Los mecanismos de control de riesgos han permitido mantener el impacto dentro del rango de tolerancia de la compañía, definido mediante los límites de riesgo en vigor.

Ante la incertidumbre en la perspectiva económica del país y mundial, la compañía buscará posicionarse en países que fomenten seguridad jurídica, desarrollos económicos en entornos macroeconómicos estables que permitan garantizar un crecimiento constante que contribuya a la generación de valor y rentabilidad de los negocios y empresa, equilibrando el peso de sus negocios en su mix de actividades y pondrá mayor ambición en aumentar la contribución de las actividades reguladas y un perfil más eléctrico.

Con posterioridad a la aprobación del nuevo Plan Estratégico 2018-2022 se han registrado deterioros o saneamientos de activos por importe de €4.851 millones, originados por la reevaluación de las estimaciones de flujos de efectivo futuros basados en el mencionado Plan, así como por otros factores acaecidos durante el período.

**E.6 Explique los planes de respuesta y supervisión para los principales riesgos de la entidad, incluidos los fiscales.**

Los riesgos susceptibles de afectar al desempeño de NTGY se recogen en el Mapa Corporativo de Riesgos que contiene:

- Definición y características de los principales factores de riesgo.
- Aspectos evolutivos del mapa de Riesgos.
- Variables de impacto.
- Principales metodologías de medición empleados por tipo de riesgo.
- Severidad cualitativa, cuantitativa y probabilística de la materialización del riesgo.
- Controles definidos y efectividad de los mismos.



Las Unidades de Control de Riesgos y otras áreas específicas (Regulación, Medio Ambiente, Generación) realizan mediciones periódicas de la evolución de los riesgos principales, señalando las indicaciones oportunas en caso de observar niveles de exposición o tendencias en su evolución que pudieran exceder la tolerancia establecida.

**F SISTEMAS INTERNOS DE CONTROL Y GESTIÓN DE RIESGOS EN RELACIÓN CON EL PROCESO DE EMISIÓN DE LA INFORMACIÓN FINANCIERA (SCIIF)**

**Describe los mecanismos que componen los sistemas de control y gestión de riesgos en relación con el proceso de emisión de información financiera (SCIIF) de su entidad.**

**F.1 Entorno de control de la entidad**

**Informe, señalando sus principales características de, al menos:**

**F.1.1. Qué órganos y/o funciones son los responsables de: (i) la existencia y mantenimiento de un adecuado y efectivo SCIIF; (ii) su implantación; y (iii) su supervisión.**

NTGY ha definido su Sistema de Control Interno de Información Financiera (en adelante, SCIIF) en la “Norma General del Sistema de Control Interno de la Información Financiera (SCIIF) de NTGY”.

Como parte del SCIIF, NTGY ha definido, en la citada Norma General, el modelo de responsabilidades del mismo. Este modelo se articula en torno a los siguientes cinco ámbitos de responsabilidad:

- Consejo de Administración: Es responsable de la existencia de un SCIIF adecuado y eficaz, cuya supervisión tiene delegada en la Comisión de Auditoría.

El Reglamento de Organización y Funcionamiento del Consejo de Administración de Naturgy Energy Group, S.A. y sus Comisiones, en su artículo 3 apartado II, establece que la determinación de la política de control y gestión de riesgos, incluidos los fiscales, y la supervisión de los sistemas internos de información y control es, entre otras, una materia ordinariamente indelegable del Consejo de Administración.

- Comisión de Auditoría: Esta Comisión tiene, entre otras, la responsabilidad en la supervisión del SCIIF. El Reglamento del Consejo de Administración en su artículo 26 apartado 2, indica que la Comisión tiene las competencias que le señala la Ley y las que le sean encomendadas por el Consejo de Administración con carácter general o particular. Así, la Ley de Sociedades de Capital en su artículo 529.14 dice en su apartado 4.b) que la Comisión de Auditoría tendrá la función de supervisar la eficacia del control interno de la sociedad, la auditoría interna y los sistemas de gestión de riesgos, así como discutir con el auditor de cuentas las debilidades significativas del sistema de control interno detectadas en el desarrollo de la auditoría. Con carácter particular y en relación con los sistemas de información y control, la Comisión de Auditoría tiene encomendada, entre otras, la supervisión del proceso de elaboración y la integridad de la información financiera relativa a la sociedad y, en su caso, al grupo, revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables. Para el

desarrollo de parte de estas funciones la Comisión de Auditoría cuenta con la unidad de Auditoría Interna.

- Dirección Financiera: Es responsable del diseño, implantación y funcionamiento del SCIIF. Para el desarrollo de esta función cuenta con la unidad de Contabilidad.
- Unidad de Auditoría Interna: En general, es responsable de apoyar a la Comisión de Auditoría en la supervisión y evaluación continua de la eficacia del Sistema de Control Interno en todos los ámbitos de NTGY, aportando un enfoque metódico y riguroso para el seguimiento y mejora de los procesos y para la evaluación de los riesgos y controles operacionales asociados a los mismos, incluidos los correspondientes al SCIIF y al Modelo de Prevención Penal.
- Unidad de Compliance.
- Unidades de negocio, unidades Servicio y Proyectos implicadas en el proceso de elaboración de información financiera. Son responsables de ejecutar los procesos y mantener la operativa diaria asegurando que se realizan las actividades de control implantadas.

**F.1.2. Si existen, especialmente en lo relativo al proceso de elaboración de la información financiera, los siguientes elementos:**

- **Departamentos y/o mecanismos encargados: (i) del diseño y revisión de la estructura organizativa; (ii) de definir claramente las líneas de responsabilidad y autoridad, con una adecuada distribución de tareas y funciones; y (iii) de que existan procedimientos suficientes para su correcta difusión en la entidad.**

El diseño y revisión de la estructura organizativa del primer nivel de dirección, así como la definición de las líneas de responsabilidad son realizados por el Consejo de Administración, por medio del Consejero Delegado y de la Comisión de Nombramientos y Retribuciones.

Para garantizar la adecuada gestión de la información económico-financiera del grupo, la Dirección Financiera ha desarrollado, como parte del SCIIF, una instrucción técnica consistente en un mapa de interrelaciones (flujos de información) del proceso de elaboración de información financiera en el que documenta las comunicaciones entre la Dirección Financiera, los distintos responsables de los procesos y los responsables que son origen o destino de la información financiera y que se denomina “Mapa de interrelaciones de la información financiera de NTGY”.

En este sentido, seis son los ejes que NTGY ha tenido en cuenta para la elaboración del mapa de interrelaciones de los procesos de elaboración de la información financiera:

- (i) la información necesaria para elaborar la información financiera;
- (ii) los responsables que sean origen o destino de la información financiera y
- (iii) la distribución de tareas entre las distintas unidades organizativas
- (iv) el alcance de dicha distribución a todas las empresas del grupo
- (v) la periodicidad de la transmisión de la información.

(vi) los sistemas de información que intervienen en el proceso de elaboración y emisión de la información financiera;

De esta forma, mediante el mapa de interrelaciones de NTGY, quedan definidos claramente los procesos que impactan en la elaboración de la información financiera, tanto los procesos operativos con impacto relevante sobre la información financiera como los procesos ligados al área administrativa y contable, y los responsables implicados en la misma.

- **Código de conducta, órgano de aprobación, grado de difusión e instrucción, principios y valores incluidos (indicando si hay menciones específicas al registro de operaciones y elaboración de información financiera), órgano encargado de analizar incumplimientos y de proponer acciones correctoras y sanciones.**

Dentro de los compromisos de la alta dirección de NTGY se encuentra orientar sus esfuerzos a que las operaciones se desarrollen en un entorno de prácticas profesionales éticas, no sólo con la implantación de mecanismos encaminados a prevenir y detectar fraudes cometidos por empleados, o prácticas inapropiadas que puedan suponer sanciones, multas o dañar la imagen de NTGY, sino también reforzando la importancia de los valores éticos y de integridad entre sus profesionales.

En este sentido, NTGY cuenta con un Código de Conducta (en adelante Código Ético), el cual fue aprobado por el Consejo de Administración en sesión celebrada el 31 de marzo de 2005, que es de obligado cumplimiento para todos los empleados de NATURGY ENERGY GROUP, S.A. y de todas las empresas participadas en las que NTGY tiene el control de la gestión. Las actualizaciones y modificaciones del Código Ético son realizadas por el Consejo de Administración de NATURGY ENERGY GROUP, S.A.

Desde su aprobación, se ha modificado en cuatro ocasiones, la última de las cuales tuvo lugar el 27 de junio de 2014, con objeto de actualizarlo e incorporar los nuevos compromisos adquiridos por NTGY en relación a la entrada en vigor de la reforma del Código Penal (Ley Orgánica 5/2010), la implantación de un Modelo de Prevención Penal en el grupo, la emisión de la Política Anticorrupción de NTGY y para adaptarlo a las mejores prácticas de Responsabilidad Corporativa.

El Código Ético recoge los principios éticos generales para el conjunto del NTGY, que se concretan en los valores a seguir en la práctica en toda la organización y en el que se incluye: (i) Objeto (ii) ámbito de aplicación (implicación a todos los miembros de NTGY ); (iii) principios rectores de la conducta en NTGY (declaración del estilo de gobierno del grupo); (iv) pautas de conducta (declaración de los valores clave de NTGY); (v) aceptación y cumplimiento del Código; (vi) Comisión del Código Ético y (vii) vigencia.

El Código Ético considera como criterios generales rectores de la conducta en NTGY la integridad y la responsabilidad en el desempeño profesional. Específicamente, establece una serie de pautas de conducta en mayor o menor medida relacionadas con la fiabilidad de la información financiera y el cumplimiento de la normativa aplicable, en concreto:

- Respeto a la legalidad, derechos humanos y a los valores éticos. (Apartado 4.1)

“NTGY asume el compromiso de actuar en todo momento de acuerdo con la legislación vigente, con el Sistema Normativo interno establecido con las prácticas éticas internacionalmente aceptadas, con total respeto hacia los derechos humanos y las libertades públicas (...)”

- Tratamiento de la información y del conocimiento (Apartado 4.11):

“Todos los empleados que introduzcan cualquier tipo de información en los sistemas informáticos del grupo, deben velar porque ésta sea rigurosa y fiable.

En particular, todas las transacciones económicas del grupo deberán ser reflejadas con claridad y precisión en los registros correspondientes, a través de las correspondientes Cuentas Contables, así como todas las operaciones realizadas y todos los ingresos y gastos incurridos.

Los empleados de NTGY se abstendrán de cualquier práctica que contravenga el compromiso de reflejar con claridad y precisión todas las transacciones económicas en las Cuentas del grupo”.

NTGY tiene además establecida una Política Anticorrupción, la cual fue aprobada por el Comité de Dirección en sesión celebrada el 3 de marzo de 2014, y modificada en la sesión de 24 de Noviembre de 2015, que es de obligado cumplimiento para todos los empleados de todas las empresas que conforman el grupo NTGY con participación mayoritaria y a aquéllas en las que se tiene responsabilidad en su operación y/o gestión. La Política se entiende como una extensión del capítulo 4.7. “Corrupción y Soborno” del Código Ético del grupo y tiene por objeto establecer los principios que deben guiar la conducta de todos los empleados y administradores de las empresas de NTGY con respecto a la prevención, detección, investigación y remedio de cualquier práctica corrupta en el seno de la organización.

En julio de 2005 se constituyó la Comisión del Código Ético de NTGY con la misión principal de promover su difusión y aplicación en todo el grupo y facilitar un canal de comunicación a todos los empleados para recabar consultas y notificaciones de incumplimientos del Código y la Política Anticorrupción. Las funciones de esta Comisión han sido asumidas, con fecha 30 de octubre de 2018, por el Comité de Ética y Cumplimiento.

El Comité está presidido por la Unidad de Compliance y está formado por representantes de diferentes Unidades implicadas en el seguimiento del cumplimiento del Código Ético y la Política Anticorrupción.

El Comité reporta regularmente a la alta dirección y a la Comisión de Auditoría. Su naturaleza es de informe y recomendación, proponiendo acciones correctoras a las unidades encargadas de dar solución a los problemas que plantea la aplicación práctica del Código Ético y de la Política Anticorrupción y actuando a su vez de enlace entre éstas y los empleados.

El régimen sancionador, en los casos que sea necesario, es establecido por la Unidad de Recursos Humanos.

Para favorecer no sólo el ejercicio de dicha responsabilidad sino también el conocimiento y difusión del Código Ético, éste se encuentra disponible en 9 idiomas:

- Desde el exterior: web corporativa de NTGY.
- Internamente, en la plataforma del grupo Naturalnet.

Adicionalmente se han desarrollado cursos de formación “on line” a través de la Universidad Corporativa de NTGY, que son obligatorios para todos los empleados de NTGY.

NTGY, lleva a cabo de forma periódica campañas de Declaración de Cumplimiento del Código Ético y la Política Anticorrupción, con el fin de dar a conocer las pautas de conducta que se esperan de todos los empleados, difundir los mecanismos existentes para realizar consultas y notificaciones, así como formalizar periódicamente el compromiso por parte de todos los empleados del grupo con la ética y la integridad.

NTGY, para fomentar el conocimiento del Código Ético entre sus proveedores y empresas colaboradoras recoge en las Condiciones Generales Globales de Contratación una cláusula en la que promueve entre los proveedores prácticas acordes con las pautas de conducta incluidas en el Código Ético de NTGY, y se informa a los mismos donde pueden encontrar el Código Ético del grupo, así como información del canal de consultas y notificaciones de aspectos relacionados con el Código Ético. Asimismo, en el año 2016 se aprobó y publicó el Código Ético del Proveedor, que tiene como finalidad establecer las pautas que han de presidir el comportamiento ético de los proveedores, contratistas y colaboradores externos de NTGY. Recoge los compromisos derivados del Pacto Mundial de Naciones Unidas además del Código Ético, la Política de Derechos Humanos, la Política de Responsabilidad Corporativa y la Política Anticorrupción de NTGY.

- **Canal de denuncias, que permita la comunicación a la comisión de auditoría de irregularidades de naturaleza financiera y contable, en adición a eventuales incumplimientos del código de conducta y actividades irregulares en la organización, informando en su caso si éste es de naturaleza confidencial.**

La ética profesional en NTGY se centra en la integridad y la responsabilidad profesional, entendiendo la integridad como la actuación ética, honrada y de buena fe y la responsabilidad profesional, como la actuación proactiva, eficiente y enfocada a la excelencia, calidad y la voluntad de servicio.

Tal y como se establece en el artículo 26.2 del Reglamento del Consejo y sus Comisiones, “la Comisión de Auditoría tiene las competencias que le señala la Ley y las que le sean encomendadas por el Consejo de Administración con carácter general o particular”. Entre éstas, la Comisión de Auditoría tiene como competencias “establecer y supervisar un mecanismo que permita a los empleados comunicar, de forma confidencial y, si resulta posible y se considera apropiado, anónima, las irregularidades de potencial trascendencia, especialmente financieras y contables que adviertan en el seno de la empresa”.

En línea con lo anterior, el Consejo de Administración en su reunión de fecha 31 de marzo de 2006, estableció que aquellas notificaciones

recibidas a través del procedimiento de notificación de incumplimientos del Código Ético de NTGY, relacionadas con fraude, auditoría o fallos en la contabilidad y control interno, sean transmitidas directamente a la Comisión de Auditoría.

Como mecanismo para obtener un mayor grado de control interno sobre el cumplimiento de los principios incluidos en el Código Ético, en julio de 2005 se constituyó la Comisión del Código Ético de NTGY (actualmente, Comité de Ética y Cumplimiento), siendo una de sus principales funciones la de facilitar y supervisar un canal de comunicación a todos los empleados para recabar consultas y notificaciones de incumplimientos del Código, y facilitar así la resolución de conflictos relacionados con la aplicación del Código Ético y de la Política Anticorrupción y la de realizar informes a los Órganos de Gobierno de NTGY acerca de la difusión y cumplimiento del Código Ético y de la Política Anticorrupción, así como de las actividades de la propia Comisión.

El citado canal de comunicación corresponde a un canal abierto (correo electrónico, fax, correo postal y correo interno) a todos los empleados de NTGY para tratar materias relacionadas con el código. Este canal permite a todos los empleados del grupo, proveedores y empresas colaboradoras recabar o proporcionar información sobre cualquier cuestión relacionada con el Código Ético y la Política Anticorrupción. También pueden ponerse en contacto a través del canal para comunicar de buena fe y confidencialmente conductas contrarias al Código. Todo ello ajeno a la jerarquía de la operativa habitual de los empleados.

Todas las comunicaciones realizadas a través del canal son absolutamente confidenciales, respetándose las limitaciones establecidas en la normativa de Protección de Datos de Carácter Personal. En este sentido, el presidente del Comité (Director de Compliance) es el único miembro, en primera instancia, autorizado para conocer el conjunto de la información de todas las consultas y notificaciones recibidas del grupo a través del procedimiento de consulta y notificación. Asimismo, las notificaciones relacionadas con fraude, la auditoría o fallos en los procesos contables o control interno son informadas directamente a la Comisión de Auditoría.

En el informe de Responsabilidad Corporativa 2018 de NTGY se da más información de detalle sobre el Código Ético, la Política Anticorrupción, las actividades de la Comisión del Código Ético (Comité de Ética y Cumplimiento desde noviembre de 2018) y la utilización del canal de comunicación.

- **Programas de formación y actualización periódica para el personal involucrado en la preparación y revisión de la información financiera, así como en la evaluación del SCIIF, que cubran al menos, normas contables, auditoría, control interno y gestión de riesgos.**

La necesidad de contar con una cualificación suficiente y, sobre todo actualizada, de los profesionales involucrados en la preparación y revisión de la información financiera, así como en la evaluación del SCIIF, hace que sea imprescindible desarrollar un plan de formación adecuado, de forma que las personas responsables de cada área puedan contar con los conocimientos necesarios para poder llevar a cabo las

distintas funciones incluidas en el proceso de preparación y revisión de la información financiera.

Para ello, NTGY cuenta con la Universidad Corporativa, que es la responsable de la gestión del conocimiento y el desarrollo de personas en todo el ámbito de la compañía. La misma integra el modelo, los canales, los programas y las acciones formativas y de aprendizaje del grupo, adoptando metodologías y experiencias formativas con criterios de calidad, impacto, eficiencia y optimización de costes.

La Universidad Corporativa dispone de un sistema de gestión de la calidad conforme con la Norma ISO 9001:2015 renovado en 2017 y con la acreditación CLIP (Corporate Learning Improvement Process) que otorga la European Foundation for Management Development (EFMD) desde 2003 y renovada por última vez en el año 2018 para un período de cinco años. Esta certificación reconoce la calidad de los procesos de aprendizaje y desarrollo de personas en las organizaciones de educación empresarial.

Los objetivos de la Universidad Corporativa son, entre otros: garantizar la adecuación puesto/persona, la adquisición de conocimientos vinculados a nuevas necesidades de la organización y el desarrollo de habilidades y competencias relacionadas con el modelo de liderazgo y cultura de Naturgy; a partir de la puesta a disposición de los empleados de una oferta formativa actualizada y de calidad.

Con la implantación de la plataforma Evolution - Success Factors como herramienta de gestión de la formación, para mejorar y adaptar al máximo la formación a las demandas de los empleados y de los negocios, desde 2017, los empleados y sus responsables se involucran en la definición de la formación necesaria; además, todos los empleados cuentan con un acceso directo a toda la formación online del catálogo de la compañía, con un modelo de institutos y áreas de conocimiento y un conjunto de canales de divulgación de contenidos específicos.

Como programas relevantes realizados en 2018, se ha realizado el despliegue de la 4ª edición del Programa Savia con foco en la Ciberseguridad y la Innovación. El Programa Savia nació en 2014 como un programa formativo cuyo objetivo es fortalecer el rol actual de las jefaturas, que deben ser los agentes del cambio en la implantación global de los nuevos procesos asociados a los retos estratégicos. En el año 2015 comenzó la segunda fase del programa, Savia 2.0, centrada en la experiencia del cliente y la gestión del cambio. En el 2016 continuó este programa, poniendo el foco, en esta ocasión, en la cooperación y el empowerment, finalizando su impartición en octubre de 2017.

Otro de los programas relevantes efectuados es el desarrollo del curso online de Ciberseguridad para todos los empleados, con foco en conocimientos técnicos y en los deberes y obligaciones en la materia.

Por otro lado, los conocimientos específicos para el área económico-financiera tienen varios objetivos, entre ellos, homogeneizar los procesos económico-financieros desarrollados en cualquier ámbito de la organización; la actualización de los criterios contables, fiscales, financieros, de gestión de riesgos, de control de gestión, de normativa internacional y de los conocimientos técnicos del área fiscal; así como proporcionar conocimientos suficientes sobre valoración de empresas, derivados financieros y análisis de estados financieros.

En total, en el año 2018 más de 150 profesionales del área económico-financiera dedicaron cerca de 1.400 horas a su capacitación en contenidos específicos, destacándose, entre otras materias, gestión de riesgos, fiscalidad, gestión financiera, contable y presupuestaria.

## **F.2 Evaluación de riesgos de la información financiera**

**Informe, al menos, de:**

### **F.2.1. Cuáles son las principales características del proceso de identificación de riesgos, incluyendo los de error o fraude, en cuanto a:**

- **Si el proceso existe y está documentado.**

El enfoque seguido por NTGY para llevar a cabo el proceso de identificación y análisis de los riesgos de la información financiera está recogido en tres matrices interrelacionadas:

- La matriz de definición de alcance de la información financiera
- La matriz de riesgos asociados a la información financiera
- La matriz de actividades de control de la información financiera

La matriz de definición de alcance de la información financiera tiene por objeto identificar las cuentas y los desgloses que tienen un riesgo significativo asociado, cuyo impacto potencial en la información financiera del grupo es material y requiere, por tanto, especial atención. En este sentido, en el proceso de identificación de las cuentas y desgloses significativos se han considerado una serie de variables cuantitativas (saldo y variación de la cuenta) y cualitativas (complejidad de las transacciones; cambios y complejidad en la normativa; necesidad de utilizar estimaciones o proyecciones; aplicación de juicio e importancia cualitativa de la información). La metodología para la elaboración de la matriz de alcance se ha descrito en una instrucción técnica denominada “Matriz de definición de alcance de la información financiera de NTGY”.

Para cada una de las cuentas/desgloses significativos recogidos en la matriz de definición de alcance se han definido los procesos y subprocesos críticos con impacto en los mismos y se han identificado los riesgos que pudieran generar errores en la información financiera, cubriendo los objetivos de control de existencia y ocurrencia; integridad; valoración; presentación, desglose y comparabilidad; y derechos y obligaciones, en la “Matriz de riesgos asociados al proceso de elaboración y emisión de la información financiera de NTGY”.

Dentro del proceso de identificación de riesgos definido por NTGY en el SCIIF, se ha considerado la problemática relacionada con el fraude como un elemento muy relevante. En este sentido, la política de control del riesgo del fraude de NTGY se centra en tres pilares básicos:

- Prevención del fraude.
- Detección del fraude.
- Investigación y gestión de las situaciones de fraude.

Se han definido controles antifraude preventivos, desde la perspectiva de la información financiera, que se clasifican en dos categorías. Los denominados controles activos, considerados barreras para restringir o impedir el acceso a los activos valiosos a aquellos que puedan intentar cometer un fraude. Por otro



lado, los controles pasivos pretenden detener la realización del fraude a través de medidas disuasorias.

Por último, las actividades de control, tanto generales como de procesos, consistentes en las políticas y procedimientos incorporados en todas las etapas del proceso de preparación de la información financiera y que garantizan su fiabilidad, se recogen en la “Matriz de actividades de control de la información financiera de NTGY”.

El SCIIF de NTGY es un sistema dinámico, por lo que su actualización periódica es un proceso fundamental para cumplir en todo momento con el objetivo del mismo, es decir, para asegurar que la información financiera del grupo es fiable. En particular, la Matriz de definición de alcance se actualiza anualmente.

- **Si el proceso cubre la totalidad de objetivos de la información financiera, (existencia y ocurrencia; integridad; valoración; presentación, desglose y comparabilidad; y derechos y obligaciones), si se actualiza y con qué frecuencia.**

NTGY, consciente de la importancia de disponer de una herramienta que asegure el control adecuado de la gestión del SCIIF, implantó en el año 2013 la aplicación SAP GRC Process Control, para la gestión integral de la documentación, evaluación y supervisión del control interno en los procesos de NTGY. Esta implantación, realizada en el marco del programa de mejora de eficiencia de NTGY, se llevó a cabo, inicialmente, en todas las sociedades españolas con participación mayoritaria y en las que se tiene responsabilidad en su operación y/o gestión. En el año 2014 se realizó la implantación de la herramienta SAP GRC Process Control en Colombia y en el Centro de Servicios Compartidos Económico-Financiero de Latinoamérica; en el año 2015 se continuó con la implantación en otros países del grupo, tales como México y Francia; en 2016 se implantó en Holanda, en 2017 en Panamá y en Brasil. En la implantación de SAP GRC Process Control, tanto a nivel nacional como a nivel internacional, se ha contado con el apoyo de los usuarios responsables de los controles claves del SCIIF y de la unidad de Auditoría Interna. .

Cabe destacar que, durante el ejercicio 2015, se extendió el alcance del modelo corporativo SCIIF a aquellos países de nueva integración en el grupo, como fue el caso de Chile, a raíz de la adquisición en noviembre de 2014 del grupo chileno Compañía General de Electricidad, S.A. (CGE). Adicionalmente, durante 2018 se extendió a las sociedades en Irlanda con presencia relevante en la comercialización internacional de GNL. Estas incorporaciones robustecen y afianzan el Control Interno en NTGY.

A excepción de la matriz de definición de alcance, en SAP GRC Process Control está integrado el modelo SCIIF de NTGY. En esta herramienta están identificados los Controles Generales del Entorno y los Generales del Ordenador, los procesos críticos, sus riesgos asociados, así como las actividades de control que los mitigan, recogidos en las matrices de riesgos y controles anteriormente indicadas. Asimismo, quedan identificadas e integradas en la estructura de procesos las unidades responsables de la ejecución de las actividades de control.

Entre los beneficios que aporta la implantación de SAP GRC Process Control se encuentran los siguientes:

- Centraliza toda la documentación y gestión del SCIIF de NTGY de forma homogénea.
- Integra el control interno de la información financiera en los procesos de negocio y corporativos, permitiendo a cada unidad organizativa responsable realizar, periódicamente, la evaluación de sus controles, aportando las evidencias necesarias y, anualmente, ejecutar el proceso de certificación interna del SCIIF.
- Utiliza workflows y formularios para la gestión de las actividades de control, para la documentación de las evidencias de la ejecución de las mismas y para los planes de acción.
- Permite el acceso documental a las evidencias de los controles sobre los procesos y a la visualización del resultado de la evaluación de forma ágil e inmediata.
- Constituye una herramienta de apoyo para el proceso de supervisión del SCIIF por parte de Auditoría Interna.
- Facilita la obtención y soporte de la información requerida para el reporting sobre el SCIIF tanto externo como interno.

Tras la puesta en explotación de SAP GRC Process Control en abril de 2013, en los sucesivos ejercicios se han venido realizando las peticiones de evaluación de los controles conforme a los calendarios establecidos, solicitando las evidencias de la realización de los controles a las unidades involucradas en el SCIIF, de acuerdo a la periodicidad fijada en cada caso. Esta evaluación permite, si procede, identificar e informar de debilidades y de los planes de acción necesarios.

- **La existencia de un proceso de identificación del perímetro de consolidación, teniendo en cuenta, entre otros aspectos, la posible existencia de estructuras societarias complejas, entidades instrumentales o de propósito especial.**

Como parte de los procesos críticos identificados, se encuentra el proceso de identificación del perímetro de consolidación de NTGY, que se ha descrito en una instrucción técnica denominada “Ciclo de Cierre Consolidado NTGY”. En este documento se detalla el proceso de actualización mensual del perímetro, de acuerdo con las operaciones societarias del periodo, y se describen las unidades responsables involucradas. Este proceso de identificación y actualización del perímetro es clave para la elaboración de la información financiera consolidada de NTGY.

- **Si el proceso tiene en cuenta los efectos de otras tipologías de riesgos (operativos, tecnológicos, financieros, legales, reputacionales, medioambientales, etc.) en la medida que afecten a los estados financieros.**

En la Matriz de riesgos se han identificado los riesgos asociados al logro de los objetivos de la información financiera, teniendo en cuenta en dicha identificación los efectos de otras tipologías de riesgos (por ejemplo: operativos, tecnológicos, financieros, reputacionales, etc.) que forman parte del Mapa de Riesgos Corporativo de NTGY.

- **Qué órgano de gobierno de la entidad supervisa el proceso.**

La supervisión de la eficacia del SCIIF es responsabilidad de la Comisión de Auditoría. Para el desarrollo de esta función la Comisión de Auditoría cuenta con la unidad de Auditoría Interna (ver apartado F.5).

### **F.3 Actividades de control**

**Informe, señalando sus principales características, si dispone al menos de:**

**F.3.1. Procedimientos de revisión y autorización de la información financiera y la descripción del SCIIF, a publicar en los mercados de valores, indicando sus responsables, así como de documentación descriptiva de los flujos de actividades y controles (incluyendo los relativos a riesgo de fraude) de los distintos tipos de transacciones que puedan afectar de modo material a los estados financieros, incluyendo el procedimiento de cierre contable y la revisión específica de los juicios, estimaciones, valoraciones y proyecciones relevantes.**

NTGY realiza revisiones periódicas de la información financiera elaborada, así como de la descripción del SCIIF, conforme a distintos niveles de responsabilidad que garantizan la calidad de la misma.

Como primer nivel de revisión, los responsables del cierre contable de cada sociedad de NTGY revisan la información financiera elaborada para asegurar su fiabilidad.

Asimismo, la información financiera de NTGY es revisada periódicamente por el responsable de la Dirección Financiera identificando posibles desviaciones.

En última instancia, el Director Financiero certifica la razonabilidad de las cuentas anuales individuales de NATURGY ENERGY GROUP, S.A. y consolidadas que se presentan al Consejo de Administración para su aprobación.

Por otro lado, tal y como se recoge en la “Norma General del Sistema de Control Interno de la Información Financiera (SCIIF) de NTGY”, las actividades de control definidas por el grupo en el SCIIF cumplen con el objetivo fundamental de asegurar que la información financiera de NTGY represente la imagen fiel del grupo.

Las actividades de control definidas en el SCIIF incluyen tanto controles generales como controles en los procesos críticos.

Los controles generales son mecanismos que, si bien no permiten obtener un grado de control suficiente en los procesos del grupo, permiten la consecución de una serie de objetivos claves para la obtención de un SCIIF eficaz, es decir, son aquellos que describen las políticas y directrices diseñadas para proteger el SCIIF de NTGY en su conjunto.

Por otro lado, todos los procesos críticos identificados han sido documentados mediante la matriz de actividades de control así como por las correspondientes instrucciones técnicas descriptivas de los procesos. En la herramienta de gestión del SCIIF, SAP GRC Process Control, se encuentran identificados estos procesos críticos, sus riesgos asociados y las actividades de control que los mitigan, así como la documentación descriptiva de dichos procesos. En este sentido, NTGY ha identificado todos los procesos necesarios para la elaboración de la información financiera, en los que se han utilizado juicios, estimaciones, valoraciones y

proyecciones relevantes, considerando todos ellos como críticos. De forma periódica, se informa a la Comisión de Auditoría de las principales hipótesis empleadas para estimar la información financiera que depende de juicios, valoraciones y proyecciones relevantes.

En la documentación incorporada a SAP GRC Process Control de los procesos críticos y actividades de control se ha incluido la información siguiente:

- Descripción del proceso.
- Diagrama de flujo de información del proceso.
- Mapa de sistemas que interactúan en el proceso.
- Descripción de los riesgos de información financiera asociados a los diferentes procesos y objetivos de control
- Definición de actividades de control para la mitigación de los riesgos identificados y sus atributos.
- Descripción de los responsables de los procesos y de las actividades de control.

Asimismo, en la definición de las actividades de control se han identificado las siguientes clasificaciones de actividades de control, atendiendo a cinco criterios siguientes:

- Alcance: En función del alcance de las actividades de control, éstas se pueden dividir en:
  - Actividades de control generales.
  - Actividades de control de procesos.
- Nivel de automatización: En función del nivel de automatización de las actividades de control, éstas se pueden dividir en automáticas y manuales.
- Naturaleza de la actividad: En función de la naturaleza de las actividades de control, éstas se pueden dividir en preventivas o detectivas.
- Frecuencia: En función de la recurrencia que tenga la actividad en el tiempo, por ejemplo: anual, semanal, mensual, diaria, etc.

Por último, en el SCIIF de NTGY se ha definido el modelo de certificación interna anual de los controles identificados en los procesos críticos, que deben realizar las unidades de negocio y corporativas implicadas en el proceso de elaboración de la información financiera. El lanzamiento y seguimiento de este proceso de certificación es responsabilidad de la unidad de Contabilidad . Para llevar a cabo este proceso de certificación interna, las unidades involucradas utilizan las funcionalidades integradas en la herramienta SAP GRC Process Control para la gestión del SCIIF de NTGY (ver apartado F.2.1).

Por su parte, la unidad de Auditoría Interna se encarga de revisar y evaluar las conclusiones sobre el cumplimiento y efectividad resultantes del proceso anual de certificaciones internas de las unidades responsables de los controles, de identificación de las debilidades y de los planes de acción.

### **F.3.2. Políticas y procedimientos de control interno sobre los sistemas de información (entre otras, sobre seguridad de acceso, control de cambios, operación de los mismos, continuidad operativa y segregación de funciones) que soporten los procesos relevantes de la entidad en relación a la elaboración y publicación de la información financiera.**

Para los procesos críticos asociados a la elaboración y publicación de la información financiera de NTGY que han sido definidos en el SCIIF del grupo, se han identificado las actividades de control que operan en los sistemas de

información, tanto para los utilizados de forma directa en su preparación de información financiera como para los que resultan relevantes en el proceso o control de las transacciones que se reflejan en ella.

A nivel general, dentro del mapa de sistemas de información de NTGY, se han definido e implantado una serie de políticas para garantizar los siguientes aspectos:

- La seguridad de acceso tanto a los datos como a las aplicaciones.
- El control sobre los cambios en las aplicaciones.
- La correcta operación de las aplicaciones.
- La disponibilidad de los datos y la continuidad de las aplicaciones.
- Una adecuada segregación de funciones.
- El correcto cumplimiento regulatorio (RGPD)

#### a) Seguridad de acceso:

Se han definido una serie de medidas a diferentes niveles para garantizar la confidencialidad y evitar el acceso no autorizado tanto a los datos como a las aplicaciones. La gestión y autenticación de la mayoría de los usuarios internos se realiza de forma centralizada en los Directorios de OIM (Oracle Identity Manager), que aseguran su confidencialidad.

La Compañía cuenta con dos CPD principales en Madrid, que permiten facilitar la disponibilidad de los sistemas de información en caso de contingencia. Únicamente el personal autorizado puede acceder a dichas instalaciones, quedando todos los accesos registrados y, posteriormente, son revisados para analizar cualquier anomalía.

Las comunicaciones con estos sistemas incluyen sistemas como Firewall, IPS (Intrusion Prevention System) y antivirus para reforzar internamente el control ante amenazas.

Asimismo, se está trabajando en la elaboración y actualización de los BRS (Business Recovery Systems) de los principales sistemas de información, para la recuperación y restauración de funciones críticas interrumpidas.

Finalmente, a nivel de aplicativo, sistema operativo y base de datos, se utiliza el par usuario-contraseña como control preventivo. A nivel de dato, se han definido perfiles que limitan el acceso a los mismos. NTGY está desarrollando un proyecto de definición e implantación de una matriz de usuarios/roles/perfiles para la mejora de la segregación de funciones que asegure la coherencia de acceso a los sistemas y datos.

#### b) Control de cambios:

Se ha desarrollado e implantado una metodología de gestión del cambio en base a las mejores prácticas, la cual establece las cautelas y validaciones necesarias para limitar el riesgo en dicho proceso.

Entre los principales aspectos que se recogen se incluyen los siguientes:

- Aprobación por parte del Comité Técnico, Comité de Cambios y Negocio.
- Realización de pruebas en los diferentes entornos, previo paso a producción.
- Entornos específicos para las tareas de desarrollo y pruebas.
- Procedimientos de marcha atrás.
- Segregación de funciones en la mayoría de los entornos entre los equipos de desarrollo y de producción.

- Seguimiento y control en cualquier fase de desarrollo.
- Manuales de usuario y cursos de formación.
- Mantenimiento periódico de la documentación relativa a los cambios.

c) Operación:

Para garantizar que las operaciones se realizan de forma correcta se lleva a cabo una monitorización a cuatro niveles:

- Todas las interfaces entre sistemas son monitorizadas para asegurar su correcta ejecución.
- A nivel perimetral se dispone de diferentes indicadores de disponibilidad para evitar cortes en las comunicaciones.
- Validaciones automáticas sobre los datos introducidos de forma que sean acordes a los esperados en base a su naturaleza, rango, etc.
- De las infraestructuras que soportan las aplicaciones.

Adicionalmente, existe un servicio interno de “Help Desk” al que los usuarios finales pueden dirigirse y disponer de una herramienta de gestión para reportar cualquier tipo de incidencia.

d) Disponibilidad y continuidad:

La mayoría de los sistemas cuentan con alta disponibilidad local, teniendo sus servidores redundados ubicados en el mismo CPD, y en algunos casos, en el CPD de soporte por criticidad. La alta disponibilidad de los sistemas de información permite asegurar su disponibilidad en caso de incidencias.

Adicionalmente, se está realizando de forma periódica una copia de seguridad de los datos, que se mantiene en un lugar seguro temporalmente en base a los requerimientos legales establecidos para cada uno de los sistemas. Los datos se copian y almacenan en ubicaciones diferentes lo que evita la pérdida de información. Para restaurar estos datos, existe un procedimiento específico, si bien no se llevan a cabo pruebas de forma periódica.

e) Segregación de Funciones:

El acceso a los Sistemas de Información está definido en base a roles y perfiles que definen las funcionalidades a las que un usuario debe tener acceso. Se utilizan estos perfiles para limitar el acceso de los usuarios a los Sistemas de Información.

f) Cumplimiento Regulatorio: RGPD

NTGY cumple con las disposiciones del Reglamento (UE) 2016/679 del Parlamento Europeo y del Consejo de 27 de abril de 2016 relativo a la protección de las personas físicas en lo que respecta al tratamiento de datos personales y a la libre circulación de estos datos y con las disposiciones de la Ley Orgánica 3/2018, de 5 de diciembre, de Protección de Datos Personales y garantía de los derechos digitales, así como con las restantes disposiciones en materia de protección de datos, al objeto de garantizar la protección de los datos de carácter personal de sus administradores, empleados, clientes, proveedores, accionistas, inversores y demás personas que con ella se relacionan.

NTGY, cuando le corresponde la condición de responsable del tratamiento de datos, realiza cuantas actuaciones son necesarias en orden a cumplir con la legislación en materia de protección de datos entre las cuales destacan, de forma no exhaustiva ni limitativa, las siguientes:

- Trata los datos personales de manera lícita, leal y transparente.
- Recoge los datos para fines determinados, explícitos y legítimos.
- Minimiza los datos objeto de tratamiento.
- Actualiza los datos, dotando a los interesados de sistemas sencillos para dicha actualización.
- Limita los plazos de conservación de los datos.
- Aplica medidas técnicas y organizativas apropiadas para garantizar la seguridad, integridad y confidencialidad de los datos.
- Recaba el consentimiento del interesado para el tratamiento cuando este es preciso.
- Establece mecanismos sencillos y adecuados para que el interesado, directamente o través de su representación legal o voluntaria, pueda ejercer los derechos que le reconoce la legislación vigente.
- Elige encargados del tratamiento que ofrezcan garantías suficientes para aplicar medidas técnicas y organizativas apropiadas para que el tratamiento de datos sea ejecutado cumpliendo los requisitos de la legislación en la materia. Asimismo, con dichos encargados de tratamiento suscribe contratos en virtud de los cuales el encargado únicamente tratará los datos conforme a las instrucciones del responsable, y no los aplicará o utilizará con fin distinto al que figure en dicho contrato, ni los comunicará, ni siquiera para su conservación, a terceras personas.
- Lleva un registro de actividades de tratamiento de datos.
- Realiza las evaluaciones de impacto que estima oportunas.
- Dispone de un órgano colegiado que ejerce de Delegado de Protección de Datos.
- Realiza las consultas oportunas a la AEPD en materia de transferencias internacionales de datos personales.
- Realiza auditorias con el fin de asegurar el cumplimiento de la normativa en materia de protección de datos.

**F.3.3. Políticas y procedimientos de control interno destinados a supervisar la gestión de las actividades subcontratadas a terceros, así como de aquellos aspectos de evaluación, cálculo o valoración encomendados a expertos independientes, que puedan afectar de modo material a los estados financieros.**

NTGY ha desarrollado una serie de políticas y procedimientos destinados a supervisar la gestión de las actividades subcontratadas a terceros, todas ellas aprobadas por los niveles establecidos en el grupo, entre los que destacan la existencia de una “Norma General de Contratación Externa”, una “Norma General de Calidad de Proveedores” y los procedimientos que las desarrollan, y el “Procedimiento de Due Diligence de Contraparte (riesgos de corrupción y reputacional)”.

En este contexto, NTGY establece en la “Norma General de Contratación Externa” los principios generales de necesaria aplicación a toda adjudicación y contratación de obras, bienes y servicios llevados a cabo por el grupo, garantizando

un modelo homogéneo eficiente y de calidad para la gestión del proceso de Compras en NTGY.

Esta Norma también establece, con carácter general, las responsabilidades de las distintas Unidades en el proceso de contratación, entre las que se incluye al área de Compras como responsable de promover el mantenimiento de relaciones a largo plazo y de confianza con los proveedores estableciendo mecanismos objetivos e imparciales de evaluación, selección y velando porque la cadena de suministro cumpla con los principios que establece el Código Ético del Proveedor, al que deben adherirse los proveedores desde 2016 y cuyo contenido emana del Código Ético de NTGY, de la Política de Derechos Humanos, de la Política de Seguridad y Salud, de la Política Anticorrupción, así como principios de buen gobierno internacionalmente reconocidos. La Normativa referida determina la obligatoriedad de la evaluación inicial de todos los proveedores potenciales antes de su participación en un proceso de compras, donde se evalúan, entre otros, aspectos legales, financieros, calidad, seguridad, medio ambiente y responsabilidad corporativa, así como la evaluación periódica de los mismos. En determinados procesos más críticos se requiere un nivel adicional de control, que se denomina 'homologación', y que se sustenta en evidencias documentales y/o auditorías para asegurar la calidad de los bienes y servicios que se adquieren.

Con este objetivo, NTGY ha desarrollado, en la "Norma General de Calidad de Proveedores" y en el procedimiento que la desarrolla, los principios básicos que rigen el proceso de evaluación y homologación de los proveedores del grupo, entre los que destacan el establecimiento de procedimientos y controles que garanticen el cumplimiento de los requisitos exigidos en las especificaciones por parte de los proveedores potenciales y adjudicatarios y adicionalmente se requiere la homologación de aquellos proveedores de determinados servicios o suministros de materiales identificados como riesgo alto (Riesgo Operativo, R. Legal, R. Seguridad y Salud, R. Calidad, y R. Environmental-Social-Governance). El proceso de homologación puede aflorar anomalías que deriven en un plan de acciones correctivas, o en la no homologación del proveedor, lo que le inhabilitaría para desarrollar esa actividad para NTGY.

Asimismo se lleva a cabo la medición del desempeño, realizada mediante encuestas de satisfacción del servicio sobre la base de proveedores que desarrollan actividades de riesgo alto, poniendo especial foco en los aspectos de Seguridad y Salud estableciendo en los casos necesarios, los planes de acción o medidas correctoras.

Las principales áreas que afectan a procesos críticos de la información financiera que NTGY tiene subcontratadas a terceros son:

- Determinados procesos del área de Sistemas
- Procesos de lectura y medida
- Determinados procesos de Servicio al Cliente
- Operador logístico
- Proceso de nóminas y gestión de personal
- Gestión de obras y mantenimiento del negocio de Distribución
- Determinados servicios a clientes del negocio Minorista

Asimismo, las Unidades de Negocio realizan la supervisión y el control de calidad de sus proveedores para determinar si ofrecen los niveles de calidad requerida en la ejecución de los trabajos. En caso contrario, envían las propuestas de retirada de la homologación/acreditación a suministradores/productos/personas como consecuencia de deficiencias en el desempeño de los servicios o productos.



NTGY utiliza a expertos en trabajos que sirven de soporte a valoraciones, juicios o cálculos contables, únicamente cuando éstos están inscritos en los correspondientes Colegios Profesionales, o acreditación equivalente, manifiestan su independencia y son empresas de prestigio reconocido en el mercado.

Asimismo, NTGY tiene definido el “Procedimiento de Due Diligence de Contraparte” que persigue, en general, la cobertura de los principales riesgos legales y reputacionales que intervienen en las relaciones de negocio con terceros y, en particular, la cobertura de los delitos asociados al riesgo de corrupción.

La Unidad de Auditoría Interna de NTGY audita los procesos y la correcta aplicación de la normativa de Compras y Calidad de Proveedores y Due Diligence de Contraparte y, en el caso de detectar incumplimientos, se realizan las correspondientes acciones correctivas.

#### **F.4 Información y comunicación**

**Informe, señalando sus principales características, si dispone al menos de:**

**F.4.1. Una función específica encargada de definir, mantener actualizadas las políticas contables (área o departamento de políticas contables) y resolver dudas o conflictos derivados de su interpretación, manteniendo una comunicación fluida con los responsables de las operaciones en la organización, así como un manual de políticas contables actualizado y comunicado a las unidades a través de las que opera la entidad.**

La Dirección Financiera tiene, a través de la unidad de Planificación Contable, entre otras funciones, la responsabilidad de mantener actualizadas las políticas contables aplicables al grupo. En este sentido es responsable de la actualización del “Plan Contable de NTGY”, que incluye los Criterios contables y el Plan de cuentas del grupo, así como del análisis de los cambios contables que pudieran tener un impacto en la información financiera de NTGY.

La actualización del “Plan Contable de NTGY” se realiza con periodicidad anual. En las actualizaciones se revisan tanto los criterios contables en base a los cambios en la normativa NIIF-UE aplicable como la estructura contable del grupo, asegurando la trazabilidad entre los planes de cuentas individuales de las filiales del grupo y el Plan de cuentas de NTGY, que sirve como base para elaborar los distintos reportings de la información financiera a suministrar a organismos externos y de la información de Gestión.

Una vez el Plan Contable se encuentra actualizado, es difundido a todo el personal de la organización a través de la intranet de NTGY. Adicionalmente, y tras ser publicado en la intranet el plan contable actualizado, se envía una noticia on-line a los usuarios que acceden a la intranet comunicando así esta actualización a todo el personal.

Por otro lado, la unidad de Planificación Contable se encarga de analizar los cambios normativos en NIIF-UE que pudieran tener impacto significativo en los estados financieros e informar a los responsables de NTGY afectados por dichos cambios normativos. También se encarga de resolver dudas sobre el tratamiento contable de determinadas transacciones que puedan plantear los responsables de la información financiera de NTGY.

**F.4.2. Mecanismos de captura y preparación de la información financiera con formatos homogéneos, de aplicación y utilización por todas las**

**unidades de la entidad o del grupo, que soporten los estados financieros principales y las notas, así como la información que se detalle sobre el SCIIF.**

El modelo integral de gestión económico-financiera de NTGY garantiza la uniformidad de los procesos administrativos y contables por medio de la centralización de los procesos transaccionales administrativos y de operativa contable en Centros de Servicios Compartidos Económico-Financieros (CSCs) y de la contabilidad en la Contabilidad Societaria de los Negocios; así como con la utilización de SAP como sistema de soporte en la mayoría de las sociedades que forman parte del grupo. El resto de sociedades que no utilizan SAP están obligadas a seguir los criterios fijados por el grupo para asegurar la uniformidad de tales procesos.

Dicho modelo se caracteriza, fundamentalmente, por:

- ser único para todos los países y negocios;
- incorporar los requisitos legales, fiscales, mercantiles y regulatorios de cada uno de los países;
- incorporar los requerimientos de control interno;
- ser base para la obtención de la información que se suministra a la Alta Dirección y a organismos oficiales;
- apoyarse en un determinado modelo organizativo y en unos procesos y sistemas informáticos económico-financieros únicos para todos los países y negocios;

Los estados financieros NIIF-UE de cada país se obtienen directamente a través de la asignación cuenta local-cuenta grupo y el registro de los ajustes NIIF-UE en el propio aplicativo SAP.

Como parte del SCIIF del grupo se ha definido el mapa de interrelaciones del proceso de elaboración de la información financiera de NTGY. En dicho mapa se detallan, entre otras cosas, los sistemas de información que intervienen en el proceso de elaboración y emisión de la información financiera tanto desde un punto de vista del cierre contable individual como del cierre contable consolidado.

En este sentido, en el proceso de elaboración de la información financiera y sus desgloses de NTGY se utiliza el aplicativo SAP BPC, que es una herramienta de SAP para la gestión del proceso de consolidación.

La carga de la información en dicho sistema se realiza de forma automática y directa, una vez cerrado el mes.

Estas dos herramientas ayudan en la gestión del proceso de consolidación en tareas como:

- Estandarización de la información.
- Validación de la información.

La elaboración de la información financiera se realiza de forma centralizada en Consolidación, lo que asegura la integración, homogeneidad, coherencia y racionalización de los estados financieros de Naturgy..

Asimismo, NTGY cuenta con planes de cuentas locales para dar cumplimiento a los requisitos contables, fiscales, mercantiles y regulatorios establecidos por las distintas legislaciones de los países en que se encuentra presente. Dichos planes de cuentas locales confluyen en un plan de cuentas de grupo, unificado y homogéneo a efectos de consolidación y reporte de la información financiera.

## **F.5 Supervisión del funcionamiento del sistema**

**Informe, señalando sus principales características, al menos de:**

**F.5.1. Las actividades de supervisión del SCIIF realizadas por la comisión de auditoría así como si la entidad cuenta con una función de auditoría interna que tenga entre sus competencias la de apoyo a la comisión en su labor de supervisión del sistema de control interno, incluyendo el SCIIF. Asimismo se informará del alcance de la evaluación del SCIIF realizada en el ejercicio y del procedimiento por el cual el encargado de ejecutar la evaluación comunica sus resultados, si la entidad cuenta con un plan de acción que detalle las eventuales medidas correctoras, y si se ha considerado su impacto en la información financiera.**

La Comisión de Auditoría tiene las competencias que le señala la Ley y las que le sean encomendadas por el Consejo de Administración con carácter general o particular. Entre estas competencias se encuentran las siguientes:

- Supervisar el proceso de elaboración, presentación y la integridad de la información financiera relativa a la sociedad y, en su caso, al grupo, revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.
- Supervisar la eficacia del control interno de la sociedad, la auditoría interna y los sistemas de gestión de riesgos, incluidos los fiscales, así como discutir con el auditor de cuentas las debilidades significativas del sistema de control interno detectadas en el desarrollo de la auditoría.
- Informar a la junta general de accionistas sobre las cuestiones que se planteen en relación con aquellas materias que sean competencia de la comisión.
- Elevar al consejo de administración las propuestas de selección, nombramiento, reelección y sustitución del auditor externo, así como las condiciones de su contratación y recabar regularmente de él información sobre el plan de auditoría y su ejecución, además de preservar su independencia en el ejercicio de sus funciones.
- Establecer las oportunas relaciones con el auditor externo para recibir información sobre aquellas cuestiones que puedan poner en riesgo su independencia, para su examen por la comisión, y cualesquiera otras relacionadas con el proceso de desarrollo de la auditoría de cuentas, así como aquellas otras comunicaciones previstas en la legislación de auditoría de cuentas y en las normas de auditoría. En todo caso, deberán recibir anualmente de los auditores externos la declaración de su independencia en relación con la entidad o entidades vinculadas a esta directa o indirectamente, así como la información de los servicios adicionales de cualquier clase prestados y los correspondientes honorarios percibidos de estas entidades por el auditor externo o por las personas o entidades vinculados a este de acuerdo con lo dispuesto en la legislación sobre auditoría de cuentas.
- Emitir anualmente, con carácter previo a la emisión del informe de auditoría de cuentas, un informe en el que se expresará una opinión sobre la independencia del auditor de cuentas. Este informe deberá contener, en todo caso, la valoración de la prestación de los servicios adicionales a que hace referencia la letra anterior, individualmente considerados y en su conjunto, distintos de la auditoría legal y en

relación con el régimen de independencia o con la normativa reguladora de auditoría.

- Velar por la independencia de la unidad que asume la función de auditoría interna; aprobar la orientación y sus planes de trabajo, asegurándose de que su actividad esté enfocada principalmente hacia los riesgos relevantes de la sociedad; recibir información periódica sobre sus actividades; y verificar que la alta dirección tenga en cuenta las conclusiones y recomendaciones de sus informes. Proponer al Presidente del Consejo de Administración la selección, nombramiento, reelección y cese del responsable del servicio de auditoría interna, así como proponer el presupuesto de ese servicio, correspondiendo la decisión última al Presidente del Consejo de Administración.

La Comisión de Auditoría cuenta, para poder cumplir con sus competencias, con la información y documentación facilitada por las Unidades de Auditoría Interna y de la Dirección Financiera.

La función de Auditoría Interna, se ha establecido en NTGY como una actividad de valoración independiente y objetiva, por este motivo la Unidad de Auditoría Interna, reporta a su vez a la Comisión de Auditoría de NATURGY ENERGY GROUP S.A..

Su misión es la de garantizar la revisión continua y la mejora del sistema de control interno del grupo, así como de asegurar el cumplimiento de la normativa externa e interna y de los Modelos de Control establecidos con el objeto de salvaguardar la eficacia y eficiencia de las operaciones, y de mitigar los principales riesgos en cada uno de los ámbitos del grupo, especialmente los riesgos operacionales, de corrupción, fraude y legales. Asimismo, se responsabiliza del informe de la actividad de auditoría interna a la Comisión de Auditoría.

En el desarrollo de su actividad, Auditoría Interna lleva a cabo la revisión metódica del sistema de control interno de los procesos del grupo en todos sus ámbitos, así como de la evaluación de los controles y los riesgos operacionales asociados a dichos procesos (incluidos los establecidos en el SCIIF y en el Modelo de Prevención Penal), a través de la definición y ejecución del “Plan anual de auditoría interna”, con el fin de mejorar la eficacia y eficiencia de los mismos. Asimismo, apoya a las direcciones en el cumplimiento de sus objetivos.

El objetivo final es salvaguardar la eficacia y eficiencia de las operaciones y mitigar los principales riesgos en cada uno de los ámbitos de NTGY, especialmente los riesgos operacionales, de corrupción, fraude y legales.

El “Plan estratégico de auditoría de procesos” (con un horizonte temporal de cinco años) y los planes de auditoría interna anuales se elaboran considerando, principalmente, el “Plan estratégico corporativo”, las áreas de riesgo incluidas en el Mapa de Riesgos Corporativo, la matriz de alcance del Sistema de Control Interno sobre la Información Financiera (SCIIF), los mapas de riesgos operacionales, los resultados de las auditorías de años anteriores, y las propuestas de la Comisión de Auditoría y el primer nivel de dirección.

De acuerdo con el Plan Estratégico de Auditoría de procesos, está previsto que el Sistema de Control Interno sobre la Información Financiera (SCIIF) de NTGY se supervise por parte de Auditoría Interna de forma completa en un período de cinco años.

La metodología de valoración de los riesgos operacionales está alineada con las mejores prácticas de gobierno corporativo y basada en el marco conceptual del Informe COSO (Committee of Sponsoring Organizations of the Treadway Commission), tomando como punto de partida la tipología de los riesgos definidos en el Mapa de Riesgos Corporativo de la compañía.

Los riesgos operacionales son priorizados valorando su incidencia, importancia relativa y grado de control y, en función de los resultados obtenidos, la compañía diseña un plan de acción con medidas correctivas que permitan mitigar los riesgos residuales identificados, con un impacto potencial superior al riesgo tolerable o aceptado establecido.

Como soporte a su función, Auditoría Interna tiene implantada una herramienta corporativa en entorno SAP, donde se gestionan y documentan los proyectos de auditoría interna de acuerdo a la metodología definida.

En concreto y en referencia al Sistema de Control Interno sobre la Información Financiera (SCIIF), Auditoría Interna se responsabiliza de:

- Validar el correcto diseño del SCIIF, de acuerdo con los principios básicos del modelo aprobado por la Comisión de Auditoría.
- Supervisar la eficacia y adecuación de las políticas y procedimientos de control implantados (de forma completa en un periodo de cinco años).
- Revisar y evaluar las conclusiones sobre el cumplimiento y efectividad del SCIIF resultante de las certificaciones internas de las unidades de negocio y corporativas responsables de los controles (de forma completa en un periodo de cinco años).
- Evaluar y comunicar los resultados obtenidos en el proceso de supervisión general del SCIIF y de los controles sobre los procesos del SCIIF.

En cuanto al Modelo de Prevención Penal, el Área de Auditoría Interna, se responsabiliza de su supervisión anual con el objeto de asegurar de manera razonable la eficacia y eficiencia del Modelo a la hora de prevenir, identificar, o mitigar la ocurrencia de los delitos tipificados en la legislación.

Los principales procesos revisados por Auditoría Interna durante 2018 fueron los siguientes:

- Redes de Gas: Construcción de Redes, Operaciones Domiciliarias, Inspección Periódica, Atención Urgencias y Contratación Acceso a la Red.
- Redes de Electricidad: Desarrollo de Red Alta Tensión, Gestión de Irregularidades y Fraude, Mantenimiento de Red Alta Tensión, Gestión de Reclamaciones y Logística.
- Generación: Operación y Mantenimiento Activos Generación, Gestión de Almacenes, Desarrollo y Puesta en Marcha Nuevos Proyectos.
- Comercialización (Gas, Electricidad y Servicios): Captación y Contratación de Instalaciones Energéticas, Construcción y Puesta en Marcha de Instalaciones Energéticas, Captación y Contratación Clientes Industriales
- GNL: Revisión Procesos Vayu.

- Exploración y Producción: Exploración/Producción.
- Gestión de la Energía: Gestión y optimización de la logística de gas, Estimación de la demanda y compra de gas.
- Servicio al Cliente: Cobro, Gestión de Impagados, Atención al cliente
- Gestión de los Recursos Físicos: Acreditación y seguimiento de proveedores
- Gestión del Control Interno: Seguimiento de acciones correctivas, SCIIF, Reglamento General de Protección de Datos.
- Gestión de los Sistemas de Información: Seguridad de la Información, Gestión de Sistemas en Cloud
- Gestión de los Recursos Humanos: Administración y Servicios de RRHH, DPO.
- Gestión de la Comunicación y RREE: Fundaciones, Responsabilidad Corporativa, Patrocinios.
- Gestión de los Recursos Económicos y Financieros: Autocartera, Gestión Económico-Administrativa de las Operaciones
- Asesoría y Soporte Jurídicos: Poderes
- Gestión de Tecnología e Ingeniería: Ingeniería
- Revisión Sistema Normativo del grupo
- Canal Código Ético
- Modelo de Prevención Penal.

El 36% de los procesos revisados corresponden al ámbito de España y el 64% restante al ámbito internacional.

Los controles de los procesos anteriores relacionados con la Información Financiera, fueron revisados de acuerdo con la metodología de trabajo descrita anteriormente.

**F.5.2. Si cuenta con un procedimiento de discusión mediante el cual, el auditor de cuentas (de acuerdo con lo establecido en las NTA), la función de auditoría interna y otros expertos puedan comunicar a la alta dirección y a la comisión de auditoría o administradores de la entidad las debilidades significativas de control interno identificadas durante los procesos de revisión de las cuentas anuales o aquellos otros que les hayan sido encomendados. Asimismo, informará de si dispone de un plan de acción que trate de corregir o mitigar las debilidades observadas.**

Tal y como se establece en el artículo 6 del Reglamento del Consejo:

El Consejo se reunirá al menos seis veces al año, y, a iniciativa del Presidente, cuantas veces éste lo estime oportuno para el buen funcionamiento de la Compañía o cuando lo solicite al menos 1/3 de los Consejeros.

En este sentido, los miembros del Consejo de Administración, para obtener la información necesaria para el ejercicio de sus funciones, cuentan con la Comisión de Auditoría, entre cuyas funciones está el conocimiento y supervisión del proceso de elaboración de la información financiera regulada, así como la eficacia del sistema de control interno.

De acuerdo con los Estatutos Sociales de la compañía y el Reglamento del Consejo de Administración y sus Comisiones, la Comisión de Auditoría estará constituida por un mínimo de tres y un máximo de siete

Consejeros, designados por el Consejo de Administración de entre los Consejeros no Ejecutivos, y al menos uno de ellos será designado teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o en ambas. Sus miembros cesarán cuando lo hagan en su condición de Consejeros, cuando así lo acuerde el Consejo de Administración. La mayoría de los miembros de la Comisión tendrán la categoría de Consejero Independiente. A 31 de diciembre de 2018 la Comisión está constituida por siete consejeros, tres dominicales y cuatro independientes, siendo uno de estos, a su vez, el presidente.

El Consejo de Administración elegirá al presidente de la Comisión, quien no tendrá voto de calidad. La Secretaría de la Comisión corresponderá a la Secretaría del Consejo de Administración.

La Comisión, convocada por su presidente, se reúne, cuando es necesario para la emisión de los informes que le competen o cuando lo estime conveniente su presidente o lo soliciten dos de sus miembros y, al menos, cuatro veces al año. La Comisión podrá invitar a sus reuniones a cualquier directivo o empleado que considere conveniente.

El ámbito de actuación de la Comisión de Auditoría se extiende a:

- NATURGY ENERGY GROUP S.A.
- Sociedades participadas mayoritariamente por NATURGY ENERGY GROUP S.A.
- Otras entidades y sociedades participadas, en las que corresponda a NATURGY ENERGY GROUP S.A., de cualquier forma, el control efectivo o la responsabilidad en su gestión u operación.

La Unidad de Auditoría Interna reporta a la Comisión de Auditoría, de forma recurrente, las acciones tomadas para asegurar que NTGY cumple con todas aquellas políticas, normas y controles de los procesos establecidos por el primer nivel de Dirección del grupo.

Asimismo, también presentan:

- El Plan de Auditoría Interna Anual para aprobación de la Comisión.
- El grado de ejecución del mismo, así como las principales conclusiones y recomendaciones incluidas en los Informes de Auditoría Interna.
- La evaluación de la eficacia del Sistema de Control y evaluación de riesgos operacionales y de Control Interno del grupo NTGY (incluidos los correspondientes al SCIIF y al Modelo de Prevención Penal), que incluye los Planes de Acción correspondientes para mejorar el nivel de control interno.
- El grado de implementación por parte de las unidades auditadas de las medidas correctoras que aparecen en los Informes de Auditoría, especialmente las propuestas por la Comisión de Auditoría.

El auditor externo comunica a la Comisión de Auditoría las debilidades significativas de control interno detectadas durante el desarrollo de la auditoría. Adicionalmente, los auditores externos informan de las principales conclusiones que han alcanzado en la revisión del control interno, sobre la evaluación de riesgos y sobre los planes de acción.

Finalmente, el auditor externo, además de reunirse periódicamente con la Comisión de Auditoría, también se reúne con el Consejo de Administración en pleno con carácter previo a que éste formule las Cuentas anuales.

## F.6 Otra información relevante.

Tal y como se describe en el apartado F.3.1. anterior, como parte del modelo de evaluación del Sistema de Control Interno de la Información Financiera de NTGY, se ha definido la realización de un proceso de certificación interna anual mediante el cual, y a través de SAP GRC Process Control, las unidades de negocio y corporativas implicadas en el proceso de elaboración de la información financiera garantizan que dentro de sus procesos se aplican los controles identificados y que éstos son válidos y suficientes. Además informan a la unidad de Contabilidad de la Información Financiera de las debilidades y/o carencias que detecten así como de los cambios que se produzcan en sus procesos a fin de valorar si éstos suponen la necesidad de desarrollar nuevos controles o la modificación de los existentes.

Durante el ejercicio 2018, NTGY ha llevado a cabo el proceso de certificación interna anual, resultado del cual se han identificado cambios en un número limitado de procesos, destacando que dichos cambios no han supuesto la modificación de las actividades de control previamente identificadas, por lo que se consideran cubiertos los riesgos asociados a la elaboración y reporte de la información financiera en los procesos críticos afectados. Las principales magnitudes de este proceso han sido las siguientes:

	España	Internacional	Total
Unidades de negocio y corporativas	132	167	299
Procesos identificados	54	154	208
Controles certificados	837	1.299	2.136

Asimismo, se han identificado planes de acción por debilidades en la evidencia de controles, que ascienden a 35, de los cuales 4 son en España. Durante el ejercicio 2018 se ha resuelto un 56% de los planes de acción identificados en 2017, surgiendo nuevos planes durante 2018. En cualquier caso, los subprocesos afectados por dichos planes de acción no afectan de forma significativa a la calidad de la información financiera.

## F.7 Informe del auditor externo

### Informe de:

- F.7.1. Si la información del SCIIF remitida a los mercados ha sido sometida a revisión por el auditor externo, en cuyo caso la entidad debería incluir el informe correspondiente como anexo. En caso contrario, debería informar de sus motivos.**

NTGY ha considerado pertinente solicitar al Auditor Externo la emisión de un informe referido a la información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF).



Indique el grado de seguimiento de la sociedad respecto de las recomendaciones del Código de buen gobierno de las sociedades cotizadas.

En el caso de que alguna recomendación no se siga o se siga parcialmente, se deberá incluir una explicación detallada de sus motivos de manera que los accionistas, los inversores y el mercado en general, cuenten con información suficiente para valorar el proceder de la sociedad. No serán aceptables explicaciones de carácter general.

1. Que los estatutos de las sociedades cotizadas no limiten el número máximo de votos que pueda emitir un mismo accionista, ni contengan otras restricciones que dificulten la toma de control de la sociedad mediante la adquisición de sus acciones en el mercado.

Cumple  Explique

2. Que cuando coticen la sociedad matriz y una sociedad dependiente ambas definan públicamente con precisión:

- a) Las respectivas áreas de actividad y eventuales relaciones de negocio entre ellas, así como las de la sociedad dependiente cotizada con las demás empresas del grupo;
- b) Los mecanismos previstos para resolver los eventuales conflictos de interés que puedan presentarse.

Cumple Cumple parcialmente Explique No aplicable

3. Que durante la celebración de la junta general ordinaria, como complemento de la difusión por escrito del informe anual de gobierno corporativo, el presidente del consejo de administración informe verbalmente a los accionistas, con suficiente detalle, de los aspectos más relevantes del gobierno corporativo de la sociedad y, en particular:

- a) De los cambios acaecidos desde la anterior junta general ordinaria.
- b) De los motivos concretos por los que la compañía no sigue alguna de las recomendaciones del Código de Gobierno Corporativo y, si existieran, de las reglas alternativas que aplique en esa materia.

Cumple  Cumple parcialmente Explique

4. Que la sociedad defina y promueva una política de comunicación y contactos con accionistas, inversores institucionales y asesores de voto que sea plenamente respetuosa con las normas contra el abuso de mercado y dé un trato semejante a los accionistas que se encuentren en la misma posición.

Y que la sociedad haga pública dicha política a través de su página web, incluyendo información relativa a la forma en que la misma se ha puesto en práctica e identificando a los interlocutores o responsables de llevarla a cabo.

Cumple  Cumple parcialmente Explique

5. Que el consejo de administración no eleve a la junta general una propuesta de delegación de facultades, para emitir acciones o valores convertibles con exclusión del derecho de suscripción preferente, por un importe superior al 20% del capital en el momento de la delegación.

Y que cuando el consejo de administración apruebe cualquier emisión de acciones o de valores convertibles con exclusión del derecho de suscripción preferente, la sociedad publique inmediatamente en su página web los informes sobre dicha exclusión a los que hace referencia la legislación mercantil.

Cumple **X**                      Cumple parcialmente                      Explique

6. Que las sociedades cotizadas que elaboren los informes que se citan a continuación, ya sea de forma preceptiva o voluntaria, los publiquen en su página web con antelación suficiente a la celebración de la junta general ordinaria, aunque su difusión no sea obligatoria:

- a) Informe sobre la independencia del auditor.
- b) Informes de funcionamiento de las comisiones de auditoría y de nombramientos y retribuciones.
- c) Informe de la comisión de auditoría sobre operaciones vinculadas.
- d) Informe sobre la política de responsabilidad social corporativa.

Cumple **X**                      Cumple parcialmente                      Explique

7. Que la sociedad transmita en directo, a través de su página web, la celebración de las juntas generales de accionistas.

Cumple **X**                      Explique

8. Que la comisión de auditoría vele porque el consejo de administración procure presentar las cuentas a la junta general de accionistas sin limitaciones ni salvedades en el informe de auditoría y que, en los supuestos excepcionales en que existan salvedades, tanto el presidente de la comisión de auditoría como los auditores expliquen con claridad a los accionistas el contenido y alcance de dichas limitaciones, o salvedades.

Cumple **X**                      Cumple parcialmente                      Explique

9. Que la sociedad haga públicos en su página web, de manera permanente, los requisitos y procedimientos que aceptará para acreditar la titularidad de acciones, el derecho de asistencia a la junta general de accionistas y el ejercicio o delegación del derecho de voto.

Y que tales requisitos y procedimientos favorezcan la asistencia y el ejercicio de sus derechos a los accionistas y se apliquen de forma no discriminatoria.

Cumple **X**                      Cumple parcialmente                      Explique

10. Que cuando algún accionista legitimado haya ejercitado, con anterioridad a la celebración de la junta general de accionistas, el derecho a completar el orden del día o a presentar nuevas propuestas de acuerdo, la sociedad:

- a) Difunda de inmediato tales puntos complementarios y nuevas propuestas de acuerdo.
- b) Haga público el modelo de tarjeta de asistencia o formulario de delegación de voto o voto a distancia con las modificaciones precisas para que puedan votarse los nuevos puntos del orden del día y propuestas alternativas de acuerdo en los mismos términos que los propuestos por el consejo de administración.

- c) **Someta todos esos puntos o propuestas alternativas a votación y les aplique las mismas reglas de voto que a las formuladas por el consejo de administración, incluidas, en particular, las presunciones o deducciones sobre el sentido del voto.**
- d) **Con posterioridad a la junta general de accionistas, comunique el desglose del voto sobre tales puntos complementarios o propuestas alternativas.**

Cumple      Cumple parcialmente      Explique      No aplicable **X**

- 11. Que, en el caso de que la sociedad tenga previsto pagar primas de asistencia a la junta general de accionistas, establezca, con anterioridad, una política general sobre tales primas y que dicha política sea estable.**

Cumple      Cumple parcialmente      Explique      No aplicable **X**

- 12. Que el consejo de administración desempeñe sus funciones con unidad de propósito e independencia de criterio, dispense el mismo trato a todos los accionistas que se hallen en la misma posición y se guíe por el interés social, entendido como la consecución de un negocio rentable y sostenible a largo plazo, que promueva su continuidad y la maximización del valor económico de la empresa.**

**Y que en la búsqueda del interés social, además del respeto de las leyes y reglamentos y de un comportamiento basado en la buena fe, la ética y el respeto a los usos y a las buenas prácticas comúnmente aceptadas, procure conciliar el propio interés social con, según corresponda, los legítimos intereses de sus empleados, sus proveedores, sus clientes y los de los restantes grupos de interés que puedan verse afectados, así como el impacto de las actividades de la compañía en la comunidad en su conjunto y en el medio ambiente.**

Cumple **X**      Cumple parcialmente      Explique

- 13. Que el consejo de administración posea la dimensión precisa para lograr un funcionamiento eficaz y participativo, lo que hace aconsejable que tenga entre cinco y quince miembros.**

Cumple **X**      Explique

- 14. Que el consejo de administración apruebe una política de selección de consejeros que:**

- a) **Sea concreta y verificable.**
- b) **Asegure que las propuestas de nombramiento o reelección se fundamenten en un análisis previo de las necesidades del consejo de administración.**
- c) **Favorezca la diversidad de conocimientos, experiencias y género.**

**Que el resultado del análisis previo de las necesidades del consejo de administración se recoja en el informe justificativo de la comisión de nombramientos que se publique al convocar la junta general de accionistas a la que se someta la ratificación, el nombramiento o la reelección de cada consejero.**

**Y que la política de selección de consejeros promueva el objetivo de que en el año 2020 el número de consejeras represente, al menos, el 30% del total de miembros del consejo de administración.**

**La comisión de nombramientos verificará anualmente el cumplimiento de la política de selección de consejeros y se informará de ello en el informe anual de gobierno corporativo.**

Cumple    Cumple parcialmente    **X**    Explique

La política de selección de Consejeros vela por que los procedimientos de selección no adolezcan de sesgos implícitos que puedan implicar discriminación alguna, en el marco del pleno respeto al derecho de representación proporcional de los accionistas reconocido por la Ley. La política de selección de Consejeros está encaminada a asegurar una adecuada diversidad en la composición del Consejo de Administración, lo que se ha traducido en que los miembros del Consejo responden a perfiles profesionales y trayectorias diferentes y complementarias entre sí, en el convencimiento de que dicha diversidad redundará en un mejor funcionamiento del mismo. Dentro de este marco el Consejo presta atención a las cuestiones de diversidad de género. Si bien no se ha explicitado el objetivo de que en el año 2020 existan un tercio de Consejeras, el Consejo está firmemente comprometido con el principio de diversidad en su composición en todas sus manifestaciones, y ha realizado propuestas de incorporación de nuevos consejeros siguiendo las recomendaciones de perfiles resultantes del ejercicio de autoevaluación para el que se ha contado la asistencia de un asesor externo independiente.

Aunque la Compañía comparte la bondad de incrementar la presencia de mujeres en el Consejo hasta, al menos, el entorno del 30%, se ha considerado que el seguimiento acrítico de la recomendación y sin tener en cuenta las demás consideraciones legales, podría dar lugar a una restricción indebida en el ejercicio de las funciones de la Comisión de Nombramientos y Retribuciones, ya que podría resultar contraproducente, de cara a obtener la designación del mejor candidato posible, que ni siquiera puedan considerarse perfiles masculinos para su designación como consejeros independientes (con independencia de que luego resulten elegidos o no).

**15. Que los consejeros dominicales e independientes constituyan una amplia mayoría del consejo de administración y que el número de consejeros ejecutivos sea el mínimo necesario, teniendo en cuenta la complejidad del grupo societario y el porcentaje de participación de los consejeros ejecutivos en el capital de la sociedad.**

Cumple **X**    Cumple parcialmente    Explique

**16. Que el porcentaje de consejeros dominicales sobre el total de consejeros no ejecutivos no sea mayor que la proporción existente entre el capital de la sociedad representado por dichos consejeros y el resto del capital.**

**Este criterio podrá atenuarse:**

- a) **En sociedades de elevada capitalización en las que sean escasas las participaciones accionariales que tengan legalmente la consideración de significativas.**
- b) **Cuando se trate de sociedades en las que exista una pluaridad de accionistas representados en el consejo de administración y no tengan vínculos entre sí.**

Cumple **X**    Explique

**17. Que el número de consejeros independientes represente, al menos, la mitad del total de consejeros.**

**Que, sin embargo, cuando la sociedad no sea de elevada capitalización o cuando, aun siéndolo, cuente con un accionista, o varios actuando concertadamente, que controlen más del 30% del capital social, el número de consejeros independientes represente, al menos, un tercio del total de consejeros.**

Cumple

Explique

X

A 31 de diciembre de 2018 más de un tercio de los Consejeros tienen la condición de independientes, si bien, la Sociedad no puede ser calificada de baja capitalización ni cuenta con accionistas que actúen concertadamente y controlen más del 30% del capital. En esta línea, debe tenerse en cuenta que en la Sociedad tienen participaciones iguales o superiores al 20% tres accionistas que no actúan concertadamente, y que la representación de los mismos en el Consejo de Administración se ajusta al respeto al principio de representación proporcional. Por otro lado, debe destacarse que el establecimiento de mayorías reforzadas para determinadas materias ha permitido capacidad de bloqueo para el conjunto de los consejeros independientes.

El respeto a la legislación vigente y la especial configuración accionarial de la Compañía determinan que, por razones legales, no se pueda cumplir con esta recomendación si los accionistas que poseen más del 8,33% del capital social desean ejercer su derecho de representación proporcional, como es el caso. La legislación actual consagra el principio de representación proporcional, por lo que la Sociedad está obligada a garantizar el respeto del legítimo ejercicio de ese derecho por parte de sus accionistas.

En la actualidad el número de Consejeros Independientes es de 5 sobre un total de 12 Consejeros, es decir, representan el 41,6% de los Consejeros. Los accionistas significativos de la Compañía ostentan, en su conjunto, el 65,62% del capital y han propuesto un 50 % de los consejeros (en total 6, sobre 12). Mientras ello se mantenga, por respeto al mandato legal de proporcionalidad, el número de Consejeros Independientes no podrá ser igual a la mitad del total de Consejeros. En todo caso, la cifra de 5, aparte de ser cuantitativamente la procedente conforme a la ley, tiene relevancia cualitativa: una modificación del Reglamento del Consejo ha establecido que, para las materias de mayor relevancia, se requiere una mayoría reforzada de más de dos tercios, lo que equivale a una posibilidad de bloqueo del conjunto de Consejeros Independientes.

**18. Que las sociedades hagan pública a través de su página web, y mantengan actualizada, la siguiente información sobre sus consejeros:**

- a) **Perfil profesional y biográfico.**
- b) **Otros consejos de administración a los que pertenezcan, se trate o no de sociedades cotizadas, así como sobre las demás actividades retribuidas que realice cualquiera que sea su naturaleza.**
- c) **Indicación de la categoría de consejero a la que pertenezcan, señalándose, en el caso de consejeros dominicales, el accionista al que representen o con quien tengan vínculos.**
- d) **Fecha de su primer nombramiento como consejero en la sociedad, así como de las posteriores reelecciones.**
- e) **Acciones de la compañía, y opciones sobre ellas, de las que sean titulares.**

Cumple X

Cumple parcialmente Explique

**19. Que en el informe anual de gobierno corporativo, previa verificación por la comisión de nombramientos, se expliquen las razones por las cuales se hayan nombrado**

consejeros dominicales a instancia de accionistas cuya participación accionarial sea inferior al 3% del capital; y se expongan las razones por las que no se hubieran atendido, en su caso, peticiones formales de presencia en el consejo procedentes de accionistas cuya participación accionarial sea igual o superior a la de otros a cuya instancia se hubieran designado consejeros dominicales.

Cumple      Cumple parcialmente      Explique      No aplicable **X**

20. Que los consejeros dominicales presenten su dimisión cuando el accionista a quien representen transmita íntegramente su participación accionarial. Y que también lo hagan, en el número que corresponda, cuando dicho accionista rebaje su participación accionarial hasta un nivel que exija la reducción del número de sus consejeros dominicales.

Cumple **X**      Cumple parcialmente      Explique      No aplicable

21. Que el consejo de administración no proponga la separación de ningún consejero independiente antes del cumplimiento del período estatutario para el que hubiera sido nombrado, salvo cuando concorra justa causa, apreciada por el consejo de administración previo informe de la comisión de nombramientos. En particular, se entenderá que existe justa causa cuando el consejero pase a ocupar nuevos cargos o contraiga nuevas obligaciones que le impidan dedicar el tiempo necesario al desempeño de las funciones propias del cargo de consejero, incumpla los deberes inherentes a su cargo o incurra en algunas de las circunstancias que le hagan perder su condición de independiente, de acuerdo con lo establecido en la legislación aplicable.

También podrá proponerse la separación de consejeros independientes como consecuencia de ofertas públicas de adquisición, fusiones u otras operaciones corporativas similares que supongan un cambio en la estructura de capital de la sociedad, cuando tales cambios en la estructura del consejo de administración vengán propiciados por el criterio de proporcionalidad señalado en la recomendación 16.

Cumple **X**      Explique

22. Que las sociedades establezcan reglas que obliguen a los consejeros a informar y, en su caso, dimitir en aquellos supuestos que puedan perjudicar al crédito y reputación de la sociedad y, en particular, les obliguen a informar al consejo de administración de las causas penales en las que aparezcan como imputados, así como de sus posteriores vicisitudes procesales.

Y que si un consejero resultara procesado o se dictara contra el auto de apertura de juicio oral por alguno de los delitos señalados en la legislación societaria, el consejo de administración examine el caso tan pronto como sea posible y, a la vista de sus circunstancias concretas, decida si procede o no que el consejero continúe en su cargo. Y que de todo ello el consejo de administración dé cuenta, de forma razonada, en el informe anual de gobierno corporativo.

Cumple **X**      Cumple parcialmente      Explique

23. Que todos los consejeros expresen claramente su oposición cuando consideren que alguna propuesta de decisión sometida al consejo de administración puede ser contraria al interés social. Y que otro tanto hagan, de forma especial, los independientes y demás consejeros a quienes no afecte el potencial conflicto de

intereses, cuando se trate de decisiones que puedan perjudicar a los accionistas no representados en el consejo de administración.

Y que cuando el consejo de administración adopte decisiones significativas o reiteradas sobre las que el consejero hubiera formulado serias reservas, este saque las conclusiones que procedan y, si optara por dimitir, explique las razones en la carta a que se refiere la recomendación siguiente.

Esta recomendación alcanza también al secretario del consejo de administración, aunque no tenga la condición de consejero.

Cumple  Cumple parcialmente  Explique  No aplicable

24. Que cuando, ya sea por dimisión o por otro motivo, un consejero cese en su cargo antes del término de su mandato, explique las razones en una carta que remitirá a todos los miembros del consejo de administración. Y que, sin perjuicio de que dicho cese se comunique como hecho relevante, del motivo del cese se dé cuenta en el informe anual de gobierno corporativo.

Cumple  Cumple parcialmente  Explique  No aplicable

25. Que la comisión de nombramientos se asegure de que los consejeros no ejecutivos tienen suficiente disponibilidad de tiempo para el correcto desarrollo de sus funciones.

Y que el reglamento del consejo establezca el número máximo de consejos de sociedades de los que pueden formar parte sus consejeros.

Cumple  Cumple parcialmente   Explique

Dado el alto nivel de participación y asistencia a las sesiones de los órganos de Gobierno por parte de los miembros del Consejo, la sociedad no ha establecido hasta la fecha reglas sobre el número de Consejos de los que puedan formar parte dichos Consejeros, sin perjuicio de señalar que se ha constatado el adecuado funcionamiento del Consejo de Administración, tanto en términos de número de reuniones, que han superado las recomendadas, como en términos cualitativos.

26. Que el consejo de administración se reúna con la frecuencia precisa para desempeñar con eficacia sus funciones y, al menos, ocho veces al año, siguiendo el programa de fechas y asuntos que establezca al inicio del ejercicio, pudiendo cada consejero individualmente proponer otros puntos del orden del día inicialmente no previstos.

Cumple  Cumple parcialmente  Explique

Conforme al artículo 17 del Reglamento del Consejo, corresponde al Presidente del Consejo de Administración el impulso y la dirección de las actividades de la Compañía. En ejercicio de dichas competencias la Compañía entiende que corresponde esencialmente al Presidente del Consejo, o a quien haga sus veces, el establecimiento de los puntos del orden del día de sus sesiones. Asimismo, 1/3 de los consejeros podrán proponer otros puntos del orden del día inicialmente no previstos.

La razón por la que se establece este número de consejeros para la inclusión de asuntos en el orden del día tiene que ver con la necesidad de compatibilizar la amplitud de las funciones de gestión que en el ámbito de la Sociedad ostenta el pleno del Consejo de Administración, con la necesidad de agilizar y facilitar su funcionamiento, con vistas a garantizar una diligente gestión de la Sociedad. Así, se ha suprimido la Comisión ejecutiva de tal forma que el Consejo ha asumido, un número muy relevante de funciones, lo que afecta de lleno a la carga de trabajo que el Consejo soporta. Es por

ello que se estima conveniente que, dada dicha abundante carga de trabajo, el Consejo se centre en el análisis de aquellas cuestiones adicionales a la lista ordinaria exhaustiva en torno a las cuáles exista un mínimo grado de consenso, que vendría a ser el de 4 consejeros. Este número es relevante, ya que permite a los Consejeros Independientes hacer propuestas por esta vía o a través del Consejero coordinador mientras que viene a limitar la facultad de propuesta individual del conjunto de consejeros dominicales representantes de un accionista significativo, de manera que los Consejeros dominicales correspondientes a un accionista significativo no pueden, por sí solos, imponer un punto del orden del día.

- 27. Que las inasistencias de los consejeros se reduzcan a los casos indispensables y se cuantifiquen en el informe anual de gobierno corporativo. Y que, cuando deban producirse, se otorgue representación con instrucciones.**

Cumple                                  Cumple parcialmente **X**                                  Explique

En lo que respecta a la cuestión de las instrucciones de voto, la Compañía considera que el cumplimiento al 100% de esta recomendación no necesariamente es lo óptimo pues puede estar justificado que el representado no otorgue instrucciones específicas al representante, por cuanto estime conveniente que éste se pronuncie en atención al debate que se suscite en el seno del Consejo de Administración.

- 28. Que cuando los consejeros o el secretario manifiesten preocupación sobre alguna propuesta o, en el caso de los consejeros, sobre la marcha de la sociedad y tales preocupaciones no queden resueltas en el consejo de administración, a petición de quien las hubiera manifestado, se deje constancia de ellas en el acta.**

Cumple **X**                  Cumple parcialmente                  Explique                  No aplicable

- 29. Que la sociedad establezca los cauces adecuados para que los consejeros puedan obtener el asesoramiento preciso para el cumplimiento de sus funciones incluyendo, si así lo exigieran las circunstancias, asesoramiento externo con cargo a la empresa.**

Cumple **X**                  Cumple parcialmente                  Explique

- 30. Que, con independencia de los conocimientos que se exijan a los consejeros para el ejercicio de sus funciones, las sociedades ofrezcan también a los consejeros programas de actualización de conocimientos cuando las circunstancias lo aconsejen.**

Cumple **X**                  Explique                  No aplicable

- 31. Que el orden del día de las sesiones indique con claridad aquellos puntos sobre los que el consejo de administración deberá adoptar una decisión o acuerdo para que los consejeros puedan estudiar o recabar, con carácter previo, la información precisa para su adopción.**

**Cuando, excepcionalmente, por razones de urgencia, el presidente quiera someter a la aprobación del consejo de administración decisiones o acuerdos que no figuraran en el orden del día, será preciso el consentimiento previo y expreso de la mayoría de los consejeros presentes, del que se dejará debida constancia en el acta.**

Cumple **X**                  Cumple parcialmente                  Explique

- 32. Que los consejeros sean periódicamente informados de los movimientos en el accionariado y de la opinión que los accionistas significativos, los inversores y las agencias de calificación tengan sobre la sociedad y su grupo.**

Cumple **X**                  Cumple parcialmente                  Explique



33. Que el presidente, como responsable del eficaz funcionamiento del consejo de administración, además de ejercer las funciones que tiene legal y estatutariamente atribuidas, prepare y someta al consejo de administración un programa de fechas y asuntos a tratar; organice y coordine la evaluación periódica del consejo, así como, en su caso, la del primer ejecutivo de la sociedad; sea responsable de la dirección del consejo y de la efectividad de su funcionamiento; se asegure de que se dedica suficiente tiempo de discusión a las cuestiones estratégicas, y acuerde y revise los programas de actualización de conocimientos para cada consejero, cuando las circunstancias lo aconsejen.

Cumple

Cumple parcialmente

Explique

34. Que cuando exista un consejero coordinador, los estatutos o el reglamento del consejo de administración, además de las facultades que le corresponden legalmente, le atribuya las siguientes: presidir el consejo de administración en ausencia del presidente y de los vicepresidentes, en caso de existir; hacerse eco de las preocupaciones de los consejeros no ejecutivos; mantener contactos con inversores y accionistas para conocer sus puntos de vista a efectos de formarse una opinión sobre sus preocupaciones, en particular, en relación con el gobierno corporativo de la sociedad; y coordinar el plan de sucesión del presidente.

Cumple

Cumple parcialmente

Explique

No aplicable

El Consejero coordinador tiene atribuidas todas las funciones recomendadas, salvo la de relación con los inversores.

35. Que el secretario del consejo de administración vele de forma especial para que en sus actuaciones y decisiones el consejo de administración tenga presentes las recomendaciones sobre buen gobierno contenidas en este Código de buen gobierno que fueran aplicables a la sociedad.

Cumple

Explicable

36. Que el consejo de administración en pleno evalúe una vez al año y adopte, en su caso, un plan de acción que corrija las deficiencias detectadas respecto de:

- a) La calidad y eficiencia del funcionamiento del consejo de administración.
- b) El funcionamiento y la composición de sus comisiones.
- c) La diversidad en la composición y competencias del consejo de administración.
- e) El desempeño del presidente del consejo de administración y del primer ejecutivo de la sociedad.
- f) El desempeño y la aportación de cada consejero, prestando especial atención a los responsables de las distintas comisiones del consejo.

Para la realización de la evaluación de las distintas comisiones se partirá del informe que estas eleven al consejo de administración, y para la de este último, del que le eleve la comisión de nombramientos.

Cada tres años, el consejo de administración será auxiliado para la realización de la evaluación por un consultor externo, cuya independencia será verificada por la comisión de nombramientos.

Las relaciones de negocio que el consultor o cualquier sociedad de su grupo mantengan con la sociedad o cualquier sociedad de su grupo deberán ser desglosadas en el informe anual de gobierno corporativo.

El proceso y las áreas evaluadas serán objeto de descripción en el informe anual de gobierno corporativo.

Cumple  Cumple parcialmente Explique No aplicable

37. Que cuando exista comisión ejecutiva, la estructura de participación de las diferentes categorías de consejeros sea similar a la del propio consejo de administración y su secretario sea el de este último.

Cumple Cumple parcialmente Explique No aplicable

38. Que el consejo de administración tenga siempre conocimiento de los asuntos tratados y de las decisiones adoptadas por la comisión ejecutiva y que todos los miembros del consejo de administración reciban copia de las actas de las sesiones de la comisión ejecutiva.

Cumple Cumple parcialmente Explique No aplicable

39. Que los miembros de la comisión de auditoría, y de forma especial su presidente, se designen teniendo en cuenta sus conocimientos y experiencia en materia de contabilidad, auditoría o gestión de riesgos, y que la mayoría de dichos miembros sean consejeros independientes.

Cumple  Cumple parcialmente Explique

40. Que bajo la supervisión de la comisión de auditoría, se disponga de una unidad que asuma la función de auditoría interna que vele por el buen funcionamiento de los sistemas de información y control interno y que funcionalmente dependa del presidente no ejecutivo del consejo o del de la comisión de auditoría.

Cumple Cumple parcialmente  Explique

La Dirección de Auditoría Interna, vela, entre otros, por el buen funcionamiento y control interno en dependencia del Presidente ejecutivo, a través de la Dirección Financiera. La supervisión de la actuación de la Dirección de Auditoría Interna corresponde a la Comisión de Auditoría, de manera que aquella reporta sus actividades a la dicha Comisión, que también autoriza su presupuesto anual y propone los objetivos retributivos del Director de Auditoría Interna. Igualmente, corresponde a la Comisiones de Auditoría, en coordinación con la Comisión de Nombramientos y Retribuciones la evaluación del desempeño anual del Director de Auditoría, a efectos de su remuneración.

41. Que el responsable de la unidad que asuma la función de auditoría interna presente a la comisión de auditoría su plan anual de trabajo, informe directamente de las incidencias que se presenten en su desarrollo y someta al final de cada ejercicio un informe de actividades.

Cumple  Cumple parcialmente Explique No aplicable

42. Que, además de las previstas en la ley, correspondan a la comisión de auditoría las siguientes funciones:

1. En relación con los sistemas de información y control interno:

a) Supervisar el proceso de elaboración y la integridad de la información financiera relativa a la sociedad y, en su caso, al grupo, revisando el cumplimiento de los

requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables.

- b) Velar por la independencia de la unidad que asume la función de auditoría interna; proponer la selección, nombramiento, reelección y cese del responsable del servicio de auditoría interna; proponer el presupuesto de ese servicio; aprobar la orientación y sus planes de trabajo, asegurándose de que su actividad esté enfocada principalmente hacia los riesgos relevantes de la sociedad; recibir información periódica sobre sus actividades; y verificar que la alta dirección tenga en cuenta las conclusiones y recomendaciones de sus informes.
- c) Establecer y supervisar un mecanismo que permita a los empleados comunicar, de forma confidencial y, si resulta posible y se considera apropiado, anónima, las irregularidades de potencial trascendencia, especialmente financieras y contables, que adviertan en el seno de la empresa.

2. En relación con el auditor externo:

- a) En caso de renuncia del auditor externo, examinar las circunstancias que la hubieran motivado.
- b) Velar que la retribución del auditor externo por su trabajo no comprometa su calidad ni su independencia.
- c) Supervisar que la sociedad comunique como hecho relevante a la CNMV el cambio de auditor y lo acompañe de una declaración sobre la eventual existencia de desacuerdos con el auditor saliente y, si hubieran existido, de su contenido.
- d) Asegurar que el auditor externo mantenga anualmente una reunión con el pleno del consejo de administración para informarle sobre el trabajo realizado y sobre la evolución de la situación contable y de riesgos de la sociedad.
- e) Asegurar que la sociedad y el auditor externo respetan las normas vigentes sobre prestación de servicios distintos a los de auditoría, los límites a la concentración del negocio del auditor y, en general, las demás normas sobre independencia de los auditores.

Cumple  Cumple parcialmente  Explique

43. Que la comisión de auditoría pueda convocar a cualquier empleado o directivo de la sociedad, e incluso disponer que comparezcan sin presencia de ningún otro directivo.

Cumple  Cumple parcialmente  Explique

44. Que la comisión de auditoría sea informada sobre las operaciones de modificaciones estructurales y corporativas que proyecte realizar la sociedad para su análisis e informe previo al consejo de administración sobre sus condiciones económicas y su impacto contable y, en especial, en su caso, sobre la ecuación de canje propuesta.

Cumple  Cumple parcialmente  Explique  No aplicable

45. Que la política de control y gestión de riesgos identifique al menos:

- a) Los distintos tipos de riesgo, financieros y no financieros (entre otros los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales) a los que se enfrenta la sociedad, incluyendo entre los financieros o económicos, los pasivos contingentes y otros riesgos fuera de balance.

- b) La fijación del nivel de riesgo que la sociedad considere aceptable.
- c) Las medidas previstas para mitigar el impacto de los riesgos identificados, en caso de que llegaran a materializarse.
- d) Los sistemas de información y control interno que se utilizarán para controlar y gestionar los citados riesgos, incluidos los pasivos contingentes o riesgos fuera de balance.

Cumple X                      Cumple parcialmente      Explique

La Compañía dispone de un sistema de control y gestión de riesgos supervisado por la Comisión de Auditoría, del cual resulta un mapa de riesgos que agrupa los principales factores de riesgo y define tanto el perfil global de riesgo como los responsables de determinar los límites de riesgo. El Consejo de Administración en su sesión de 6 de febrero de 2018 ha refundido los aspectos esenciales del sistema de control y gestión de riesgos.

**46. Que bajo la supervisión directa de la comisión de auditoría o, en su caso, de una comisión especializada del consejo de administración, exista una función interna de control y gestión de riesgos ejercida por una unidad o departamento interno de la sociedad que tenga atribuidas expresamente las siguientes funciones:**

- a) Asegurar el buen funcionamiento de los sistemas de control y gestión de riesgos y, en particular, que se identifican, gestionan, y cuantifican adecuadamente todos los riesgos importantes que afecten a la sociedad.
- b) Participar activamente en la elaboración de la estrategia de riesgos y en las decisiones importantes sobre su gestión.
- c) Velar por que los sistemas de control y gestión de riesgos mitiguen los riesgos adecuadamente en el marco de la política definida por el consejo de administración.

Cumple X                      Cumple parcialmente      Explique

**47. Que los miembros de la comisión de nombramientos y de retribuciones –o de la comisión de nombramientos y la comisión de retribuciones, si estuvieren separadas– se designen procurando que tengan los conocimientos, aptitudes y experiencia adecuados a las funciones que estén llamados a desempeñar y que la mayoría de dichos miembros sean consejeros independientes.**

Cumple                      X      Cumple parcialmente      Explique

**48. Que las sociedades de elevada capitalización cuenten con una comisión de nombramientos y con una comisión de remuneraciones separadas.**

Cumple                      Explique X                      No aplicable

La Compañía estima que, al menos en su caso, no es necesario ni eficaz separar las competencias de la Comisión de Nombramientos y Retribuciones en dos Comisiones, una de Nombramientos y otra de Retribuciones. La existencia de una única Comisión en nada perjudica o limita el ejercicio de las facultades que la ley otorga a la Comisión de Nombramientos y Retribuciones, lo que permite además a la Compañía una optimización de costes en la medida en que con ello se evita el devengo de retribuciones adicionales a los consejeros llamados a formar parte de las dos

comisiones desdobladas. Pero es más, la Compañía considera que dicho desdoblamiento podría resultar contraproducente, ya que para la Compañía es relevante la presencia de un número significativo de consejeros independientes en las Comisiones del Consejo. Dadas las restricciones que al número de consejeros independientes impone la legislación vigente en aplicación del principio de representación proporcional, el número de consejeros independientes en el Consejo de Administración es en la actualidad de 5. Para que hubiera un número relevante de consejeros independientes en las dos Comisiones desdobladas, además de en la Comisión de Auditoría (donde han de ser mayoría por disposición legal) habría que imponer a dichos consejeros una sobrecarga de trabajo derivada de una nueva Comisión.

**49. Que la comisión de nombramientos consulte al presidente del consejo de administración y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos.**

**Y que cualquier consejero pueda solicitar de la comisión de nombramientos que tome en consideración, por si los encuentra idóneos a su juicio, potenciales candidatos para cubrir vacantes de consejero.**

Cumple  Cumple parcialmente  Explique

**50. Que la comisión de retribuciones ejerza sus funciones con independencia y que, además de las funciones que le atribuya la ley, le correspondan las siguientes:**

- a) **Proponer al consejo de administración las condiciones básicas de los contratos de los altos directivos.**
- b) **Comprobar la observancia de la política retributiva establecida por la sociedad.**
- c) **Revisar periódicamente la política de remuneraciones aplicada a los consejeros y altos directivos, incluidos los sistemas retributivos con acciones y su aplicación, así como garantizar que su remuneración individual sea proporcionada a la que se pague a los demás consejeros y altos directivos de la sociedad.**
- d) **Velar por que los eventuales conflictos de intereses no perjudiquen la independencia del asesoramiento externo prestado a la comisión.**
- e) **Verificar la información sobre remuneraciones de los consejeros y altos directivos contenida en los distintos documentos corporativos, incluido el informe anual sobre remuneraciones de los consejeros.**

Cumple  Cumple parcialmente  Explique

**51. Que la comisión de retribuciones consulte al presidente y al primer ejecutivo de la sociedad, especialmente cuando se trate de materias relativas a los consejeros ejecutivos y altos directivos.**

Cumple  Cumple parcialmente  Explique

**52. Que las reglas de composición y funcionamiento de las comisiones de supervisión y control figuren en el reglamento del consejo de administración y que sean consistentes con las aplicables a las comisiones legalmente obligatorias conforme a las recomendaciones anteriores, incluyendo:**

- a) **Que estén compuestas exclusivamente por consejeros no ejecutivos, con mayoría de consejeros independientes.**
- b) **Que sus presidentes sean consejeros independientes.**

- c) Que el consejo de administración designe a los miembros de estas comisiones teniendo presentes los conocimientos, aptitudes y experiencia de los consejeros y los cometidos de cada comisión, delibere sobre sus propuestas e informes; y que rindan cuentas, en el primer pleno del consejo de administración posterior a sus reuniones, de su actividad y que respondan del trabajo realizado.
- d) Que las comisiones puedan recabar asesoramiento externo, cuando lo consideren necesario para el desempeño de sus funciones.
- e) Que de sus reuniones se levante acta, que se pondrá a disposición de todos los consejeros.

Cumple      Cumple parcialmente      Explique      No aplicable **X**

53. Que la supervisión del cumplimiento de las reglas de gobierno corporativo, de los códigos internos de conducta y de la política de responsabilidad social corporativa se atribuya a una o se reparta entre varias comisiones del consejo de administración que podrán ser la comisión de auditoría, la de nombramientos, la comisión de responsabilidad social corporativa, en caso de existir, o una comisión especializada que el consejo de administración, en ejercicio de sus facultades de auto-organización, decida crear al efecto, a las que específicamente se les atribuyan las siguientes funciones mínimas:

- a) La supervisión del cumplimiento de los códigos internos de conducta y de las reglas de gobierno corporativo de la sociedad.
- b) La supervisión de la estrategia de comunicación y relación con accionistas e inversores, incluyendo los pequeños y medianos accionistas.
- c) La evaluación periódica de la adecuación del sistema de gobierno corporativo de la sociedad, con el fin de que cumpla su misión de promover el interés social y tenga en cuenta, según corresponda, los legítimos intereses de los restantes grupos de interés.
- d) La revisión de la política de responsabilidad corporativa de la sociedad, velando por que esté orientada a la creación de valor.
- e) El seguimiento de la estrategia y prácticas de responsabilidad social corporativa y la evaluación de su grado de cumplimiento.
- f) La supervisión y evaluación de los procesos de relación con los distintos grupos de interés.
- g) La evaluación de todo lo relativo a los riesgos no financieros de la empresa – incluyendo los operativos, tecnológicos, legales, sociales, medio ambientales, políticos y reputacionales.
- h) La coordinación del proceso de reporte de la información no financiera y sobre diversidad, conforme a la normativa aplicable y a los estándares internacionales de referencia.

Cumple **X**      Cumple parcialmente      Explique

54. Que la política de responsabilidad social corporativa incluya los principios o compromisos que la empresa asuma voluntariamente en su relación con los distintos grupos de interés e identifique al menos:

- a) Los objetivos de la política de responsabilidad social corporativa y el desarrollo de instrumentos de apoyo.

- b) La estrategia corporativa relacionada con la sostenibilidad, el medio ambiente y las cuestiones sociales.
- c) Las prácticas concretas en cuestiones relacionadas con: accionistas, empleados, clientes, proveedores, cuestiones sociales, medio ambiente, diversidad, responsabilidad fiscal, respeto de los derechos humanos y prevención de conductas ilegales.
- d) Los métodos o sistemas de seguimiento de los resultados de la aplicación de las prácticas concretas señaladas en la letra anterior, los riesgos asociados y su gestión.
- e) Los mecanismos de supervisión del riesgo no financiero, la ética y la conducta empresarial.
- f) Los canales de comunicación, participación y diálogo con los grupos de interés.
- g) Las prácticas de comunicación responsable que eviten la manipulación informativa y protejan la integridad y el honor.

Cumple **X**

Cumple parcialmente

Explique

55. Que la sociedad informe, en un documento separado o en el informe de gestión, sobre los asuntos relacionados con la responsabilidad social corporativa, utilizando para ello alguna de las metodologías aceptadas internacionalmente.

Cumple **X**

Cumple parcialmente

Explique

56. Que la remuneración de los consejeros sea la necesaria para atraer y retener a los consejeros del perfil deseado y para retribuir la dedicación, cualificación y responsabilidad que el cargo exija, pero no tan elevada como para comprometer la independencia de criterio de los consejeros no ejecutivos.

Cumple **X**

Explique

57. Que se circunscriban a los consejeros ejecutivos las remuneraciones variables ligadas al rendimiento de la sociedad y al desempeño personal, así como la remuneración mediante entrega de acciones, opciones o derechos sobre acciones o instrumentos referenciados al valor de la acción y los sistemas de ahorro a largo plazo tales como planes de pensiones, sistemas de jubilación u otros sistemas de previsión social.

Se podrá contemplar la entrega de acciones como remuneración a los consejeros no ejecutivos cuando se condicione a que las mantengan hasta su cese como consejeros. Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.

Cumple **X**

Cumple parcialmente

Explique

58. Que en caso de remuneraciones variables, las políticas retributivas incorporen los límites y las cautelas técnicas precisas para asegurar que tales remuneraciones guardan relación con el rendimiento profesional de sus beneficiarios y no derivan solamente de la evolución general de los mercados o del sector de actividad de la compañía o de otras circunstancias similares.

Y, en particular, que los componentes variables de las remuneraciones:

- a) Estén vinculados a criterios de rendimiento que sean predeterminados y medibles y que dichos criterios consideren el riesgo asumido para la obtención de un resultado.

- b) **Promuevan la sostenibilidad de la empresa e incluyan criterios no financieros que sean adecuados para la creación de valor a largo plazo, como el cumplimiento de las reglas y los procedimientos internos de la sociedad y de sus políticas para el control y gestión de riesgos.**
- c) **Se configuren sobre la base de un equilibrio entre el cumplimiento de objetivos a corto, medio y largo plazo, que permitan remunerar el rendimiento por un desempeño continuado durante un período de tiempo suficiente para apreciar su contribución a la creación sostenible de valor, de forma que los elementos de medida de ese rendimiento no giren únicamente en torno a hechos puntuales, ocasionales o extraordinarios.**

Cumple                      Cumple parcialmente    X                      Explique                      No aplicable

En el establecimiento de las remuneraciones variables, el Consejo ha considerado conveniente combinar retribuciones variables con horizontes temporales y métricas distintas: por un lado, la remuneración variable anual cuyas métricas, vinculadas a objetivos operativos, responden a un modelo clásico de incentivo, que encaja con los límites y cautelas previstas en esta recomendación. Por otro lado, se ha establecido una retribución con un horizonte de largo plazo (ordinariamente vence en julio de 2023), que se ha preferido alinear con la rentabilidad que recibiría un accionista, y por ello, no encaja exactamente en los modelos más tradicionales de retribución. El Consejo considera que, en el largo plazo, la mejor y más sencilla métrica del desempeño del Presidente ejecutivo es la referida a dividendos repartidos y variación de la cotización.

- 59. **Que el pago de una parte relevante de los componentes variables de la remuneración se difiera por un período de tiempo mínimo suficiente para comprobar que se han cumplido las condiciones de rendimiento previamente establecidas.**

Cumple    X    Cumple parcialmente                      Explique                      No aplicable

- 60. **Que las remuneraciones relacionadas con los resultados de la sociedad tomen en cuenta las eventuales salvedades que consten en el informe del auditor externo y minoren dichos resultados.**

Cumple                      Cumple parcialmente                      Explique    X                      No aplicable

La remuneración variable del Presidente Ejecutivo no toma en cuenta explícitamente las salvedades que puedan constar en el informe del auditor externo y minoren los resultados, ni es una situación que se haya planteado en la Compañía en el pasado. No obstante, la Comisión de Nombramientos y Retribuciones sólo fija el grado de consecución de los objetivos de la remuneración variable una vez se dispone de las cuentas auditadas de la compañía, de modo que está en disposición de tener en cuenta las citadas salvedades, si las hubiera, a la hora de determinar el grado de consecución de objetivos.

En consecuencia, el grado de cumplimiento de los objetivos establecidos por el Consejo de Administración, asociados principalmente a las cuentas anuales auditadas, es revisado y validado por la Dirección de Auditoría Interna previamente a la aprobación de su informe favorable por parte de la Comisión de Nombramientos y Retribuciones de la Compañía y se realiza al tiempo que se formulan las cuentas anuales



- 61. Que un porcentaje relevante de la remuneración variable de los consejeros ejecutivos esté vinculado a la entrega de acciones o de instrumentos financieros referenciados a su valor.**

Cumple **X**      Cumple parcialmente      Explique      No aplicable

- 62. Que una vez atribuidas las acciones o las opciones o derechos sobre acciones correspondientes a los sistemas retributivos, los consejeros no puedan transferir la propiedad de un número de acciones equivalente a dos veces su remuneración fija anual, ni puedan ejercer las opciones o derechos hasta transcurrido un plazo de, al menos, tres años desde su atribución.**

**Lo anterior no será de aplicación a las acciones que el consejero necesite enajenar, en su caso, para satisfacer los costes relacionados con su adquisición.**

Cumple      Cumple parcialmente      Explique **X**      No aplicable

El incentivo a largo plazo aplicable al Presidente Ejecutivo y a otros directivos relevantes de la Compañía alinea los intereses de los ejecutivos con el de los accionistas a través de un mecanismo que contempla un diferimiento en el pago del incentivo a más de 5 años desde su aprobación, por lo que no es necesario añadir un periodo adicional de limitación a la transmisión de acciones cuando se produzca el vencimiento del plan y la entrega de las mismas.

- 63. Que los acuerdos contractuales incluyan una cláusula que permita a la sociedad reclamar el reembolso de los componentes variables de la remuneración cuando el pago no haya estado ajustado a las condiciones de rendimiento o cuando se hayan abonado atendiendo a datos cuya inexactitud quede acreditada con posterioridad.**

Cumple **X**      Cumple parcialmente      Explique      No aplicable

- 64. Que los pagos por resolución del contrato no superen un importe establecido equivalente a dos años de la retribución total anual y que no se abonen hasta que la sociedad haya podido comprobar que el consejero ha cumplido con los criterios de rendimiento previamente establecidos.**

Cumple **X**      Cumple parcialmente      Explique      No aplicable

## **H** OTRAS INFORMACIONES DE INTERÉS

- 1. Si existe algún aspecto relevante en materia de gobierno corporativo en la sociedad o en las entidades del grupo que no se haya recogido en el resto de apartados del presente informe, pero que sea necesario incluir para recoger una información más completa y razonada sobre la estructura y prácticas de gobierno en la entidad o su grupo, detállelos brevemente.**
- 2. Dentro de este apartado, también podrá incluirse cualquier otra información, aclaración o matiz relacionado con los anteriores apartados del informe en la medida en que sean relevantes y no reiterativos.**

**En concreto, se indicará si la sociedad está sometida a legislación diferente a la española en materia de gobierno corporativo y, en su caso, incluya aquella**

información que esté obligada a suministrar y sea distinta de la exigida en el presente informe.

3. La sociedad también podrá indicar si se ha adherido voluntariamente a otros códigos de principios éticos o de buenas prácticas, internacionales, sectoriales o de otro ámbito. En su caso, se identificará el código en cuestión y la fecha de adhesión. En particular, hará mención a si se ha adherido al Código de Buenas Prácticas Tributarias, de 20 de julio de 2010.

El Consejo de Administración, en su sesión de 17 de septiembre de 2010, acordó la adhesión de NATURGY al Código de Buenas Prácticas Tributarias. De acuerdo con lo previsto en el indicado Código, se manifiesta expresamente que NTGY ha cumplido efectivamente con el contenido del mismo y, en particular, que en la reunión celebrada el día 29 de enero de 2019, el Consejo ha sido informado, a través de la Comisión de Auditoría, sobre la situación y las políticas fiscales seguidas por el Grupo durante el ejercicio 2018.

Asimismo, el Consejo de Administración, en su sesión de 9 de enero de 2018 y con el informe favorable de la Comisión de Auditoría aprobó la Estrategia fiscal y Política de control y gestión de riesgos fiscales que regula los principios básicos que deben guiar la función fiscal de NATURGY, así como las principales líneas de actuación para mitigar y guiar el correcto control de los riesgos fiscales.

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**Este informe anual de gobierno corporativo ha sido aprobado por el consejo de administración de la sociedad, en su sesión de fecha 29 de enero de 2019.**

**Indique si ha habido consejeros que hayan votado en contra o se hayan abstenido en relación con la aprobación del presente Informe.**

SI

NO

Nombre o denominación social del consejero que no ha votado a favor de la aprobación del presente informe	Motivos (en contra, abstención, no asistencia)	Explique los motivos