

Sustainability Report
and Non-Financial
Information Statement
2020



We are determined to tackle the challenges of the **energy transition** and **transform** the world through energy.

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

https://www.naturgy.com/en/shareholders_and_investors/the_company/annual_reports



Access the
2020
Annual Reports

Sustainability Report
and Non-Financial
Information Statement
2020

Summary

01

Business
model

| 012 |

02

Value creation
and sustainable
management

| 030 |

06

Service
excellence

| 082 |

07

Commitment
to results

| 100 |

08

Responsible
environmental
management

| 108 |

12

Social
commitment

| 254 |

13

Integrity and
transparency

| 274 |

14

About
this report

| 298 |

03

Avant-garde
and sustainable
innovation

| 054 |

04

Corporate
governance

| 062 |

05

Risks and
opportunities

| 074 |

09

Interest
in people

| 158 |

10

Health
and safety

| 206 |

11

Responsible
supply chain

| 238 |

15

Carbon
Footprint Report

| 310 |

16

Report on the
Green Bond

| 342 |



Letter from the Chairman

Dear readers,

The year 2020, the subject of this **Sustainability Report and Non-Financial Information Statement**, was marked by unprecedented circumstances that compelled us to transform our way of life and to deal with a health, economic and social crisis which, among other things, spurred profound reflection on the role of companies in the societies in which they operate.

We at Naturgy have long been aware of the urgency and inevitability of having to adapt to the new global context, and the reality experienced over the last year has only strengthened our conviction.

For this reason, all the people who make up Naturgy are striving every day to make a vital contribution to **transforming the world through energy by resolutely tackling the challenges of energy transition and the demands of society and our customers, and working with excellence, transparency and the talent of a committed team**. We know that we will not be able to achieve our goals on our own, which is why we are working to this end together with our customers, shareholders and collaborators.

Our commitment to society, the foundation of our response to the COVID-19 crisis

There is no doubt that it is practically impossible for companies to achieve longevity such as Naturgy's unless it stays ahead of the trends, knows how to adapt to the opportunities and risks that surround it and works with a long-term purpose that is fully aligned with sustainability.

Our commitment to society in the challenging 2020 financial year was greater than ever. Throughout our history as a leading energy company, we have experienced and successfully overcome different types of situations, but never before have we had to face one like this.

The current health and socio-economic crisis has had a disparate impact on all the countries in which we operate, on the people employed by Naturgy; on the more than 6,500 suppliers and contractors with whom we work; and on the more than 18 million customers who put their faith in us.

According to the International Energy Agency, the pandemic has caused greater disruption to the energy sector than any other event in recent history, and its effects will be felt for years to come.

The first of the measures we took to deal with this unexpected situation was to **protect the health of all our employees**, implementing the best preventive practices for the individuals who provide essential services and providing the necessary means for the remaining employees to work from home.

It is also very important for us to **assist society through the most difficult moments of the pandemic**, and for this reason we have implemented a series of solidarity initiatives that have made it possible to alleviate the consequences as far as possible. These measures included:

- Financing and deferring more than 100,000 bills for domestic customers, SMEs and self-employed individuals.
- The supply of energy free of charge to public health facilities, and to hotels and residential establishments whose facilities were made available to the public health service.
- The launch of a free health care service for all our customers.
- Carrying out over 20,000 urgent repairs.
- The offer of one year of free service to cover electrical and gas service failures to health workers, law enforcement services, members of the army, fire-fighters and education workers and staff of educational institutions throughout Spain.
- Advancing payment to a large number of our self-employed and SME suppliers in order to contribute as far as possible to their financial stability.

The future is being built today, creating sustainable value

Despite the situation, **in 2020 we made steady progress on the path of transformation** announced by Naturgy in its Strategic Plan 2018–2022. Today we can say that **we are company that is more efficient, transparent, dynamic and active in terms of business management**, which will allow us to face the difficulties arising from this environment in a more realistic and effective way.

Over the last year, we made **significant progress in reducing our risk profile through the renegotiation of gas supply contracts**. A highlight of this is the agreement we reached with Sonatrach, which together with the alliance established in relation to the Medgaz gas pipeline only confirms the desire of both companies to continue their partnership in the long term.

Another major milestone that contributed to simplification was the agreement reached to amicably resolve the disputes over the Damietta gas plant in Egypt.

In relation to our asset turnover target, it is important to underscore the agreement reached with the Chinese state-owned company State Grid International Development Limited (SGI) for the sale of Naturgy's stake in the Chilean Compañía General de Electricidad (CGE). This decision has led to an increase of our financial capacity, which will enable us to support future growth opportunities linked to the energy transition and accelerate Naturgy's transformation.

With regard to our commitment to renewable energies, we are proud of the leading position we gained during the year in Australia, where, as a result of the projects awarded or in operation, we will have an installed capacity of 700 MW.

Within the framework of this transformation process, Naturgy reorganised its business around three strategic areas: Energy and Network Management, Renewables and New Businesses and Commercialisation.

In addition, as a demonstration of the group's commitment, the Sustainability Committee was set up within the Board of Directors to oversee the company's role in the energy transition and progress in terms of environmental, social and good governance performance.

With regard to financial results, 2020 was marked by the health and economic crisis, which had a major impact on energy demand, and by the complex international energy situation that affected energy prices, as well as the depreciation of Latin American currencies against the euro. All of this has had a significant impact on results.

Compared to the results from the previous year, the most important performance measures showed:

- Net turnover reached Euros 15,345 million (-26.1%).
- Gross operating profit was Euros 3,449 million (-18.9%) including non-core items.
- Net profit came to Euros -347 million.
- Cash-flow generation stood at Euros 1,626 million.
- Total net debt came to Euros 13,612 million.
- Growth Capex amounted to Euros 733 million.
- We paid Euros 607 million in direct taxes, and Euros 1,717 million in mainly VAT.

Given the present context, the involvement of the private sector, particularly the energy sector, is essential if we are to return to the path to growth and to construct a new post-COVID environment. In this sense, **Naturgy is now actively working to identify strategic projects that are key for the company through which it aims to spur economic recovery.** All of them will focus on renewable energies, new energy uses, digitalisation and innovation, among others, in order to speed up the energy transition.

Climate change, a pressing challenge to ensure long-term value creation and contribute to the sustainability of the planet

While the pandemic was the undisputed centre of attention of the past year, it was not the only challenge requiring our prompt and effective response.

Climate change has become a decisive factor for the survival of companies, particularly energy companies, with climate-associated risks being the most likely and bringing the greatest impact, according to the World Economic Forum's Global Risks Report 2020. Furthermore, in line with the most recent yearly materiality analysis we have conducted, climate change and energy transition are the most significant issues for the business and our stakeholders.

In order to deal with climate change and meet these ambitious commitments, it is essential that the energy sector is transformed. According to the International Energy Agency, a scenario in which the already stated climate policies are upheld will see renewable energies cover 80% of the growth in world electricity demand until 2030. Moreover, it is now a reality that renewable technologies, such as wind and solar, are the cheapest for generating electricity.

In this sense, **Naturgy has based its strategy on the conviction that the energy transition is an opportunity.** Therefore, among other climate change-related measures, the company is committed to **substantially increasing the installed capacity of renewable energy generation**, increasing electrification in the countries where we operate, taking advantage of the potential of natural gas to reduce greenhouse gas emissions, **promoting renewable gas** and improving **energy efficiency** throughout the value chain.

The shutdown of all the company's coal-fired power stations in the first half of 2020 led to a significant reduction in carbon emissions. In 2020, Naturgy emitted 14.3 million tCO₂ eq into the atmosphere, a decrease of 30% on 2017, and commissioned 151 MW of renewable power which, added to the rest of our installed capacity, prevented the emission of more than 5 million tCO₂ eq.

Although our commitment to fighting climate change is a priority, Naturgy has not overlooked the fact that this also comes with a global responsibility to care for our environment as we carry out our activity. In this regard, **in addition to our focus on climate change and energy transition, we continue our work on the three other strategic environmental fronts set out in our Global Environmental Policy:** environmental governance and management, circular economy and eco-efficiency, and biodiversity and natural capital.

Initiatives that contribute to the improvement of biodiversity in the environments where we operate or to significant reductions in the consumption of drinking water and waste are some of the achievements made in 2020.

Innovation, rigour and transparency to meet the expectations of our stakeholders

Over the last year, digitalisation was ever more present in our lives, with clear examples being the increase in teleworking and cyber-attacks, both of which were effectively dealt with by the company. The company's ability to adapt to digital environments is one of the factors that will determine its competitive position in the market. **Digitalisation is therefore a key lever in Naturgy's transformation and is already an essential element of customer relations, the performance of processes and operations, and asset management.**

Along with digitalisation, Naturgy's transformational purpose must be supported by an innovative strategy that allows us to adopt the newest technologies and streamline our processes in order to be able to implement more disruptive business models.

In this sense, the **value hubs** around which Naturgy's commercial offering revolves are aimed at **contributing to transformation through technology and innovation**; pioneering **new, simple and scalable ideas**; and through the development of **new green, sustainable and socially responsible products**, such as 100% renewable electricity and supplying gas offset by Certified Emission Reduction certificates.

Naturgy's good performance would not be possible without the contribution made by and the proper management of its supply chain. In 2020, we updated the purchasing category risk matrix and the business classification model for suppliers, and we included new anti-corruption and ethical practice clauses. Additionally, **almost 70% of high ESG risk purchase volume was audited**.

Naturally, Naturgy's shareholders and investors are viewed as being among the company's primary stakeholders. Therefore, properly managing risks and developing a solid Business Model that guarantees sustainability and long-term value creation are the key business goals. The creation in May of the Sustainability Committee, delegated by the Board of Directors confirms the commitment of the company's shareholders to sustainability as an essential lever for the creation of long-term value.

In addition to its commitment to its customers, suppliers, shareholders and investors, Naturgy cannot overlook its role of contributing to the construction of fairer societies in which nobody is left behind. Aside from the previously described measures to mitigate the effects of the pandemic, we have been providing support to assist the most vulnerable groups, mainly by providing them with personal protective equipment, medical supplies and food.

Likewise, **we have continued to implement our Energy Vulnerability Plan and to promote energy transition that is fair for everybody**. This year, with a now-consolidated plan, we are continuing to increase the number of actions and projects to alleviate cases of energy poverty and to detect situations of vulnerability. Within the framework of a fair energy transition, we are undertaking different projects and initiatives in the regions affected by the shutdown of coal-fired power stations, such as the installation of new renewable power, the study of renewable gas (biomethane and green hydrogen) production plants and the promotion of new uses of power station sites for industry or services in order to encourage and boost local industry and regional economies.

Our behaviour as a responsible company originates from a deep conviction that **ethics and integrity are the starting point from which to develop an enduring business project**. In this regard, it should be noted that the Ethics and Compliance Committee modified the regulations for the operation of the Code of Ethics Channel. Also in 2020, Naturgy renewed certification of its Crime Prevention Model in accordance with the recognised UNE 19601 and ISO 37001 standards.

Passion, the driving energy of a talented team that proactively manages challenges

In these volatile and complex times, all of us at Naturgy are driven to action and to give the best of ourselves every day by our passion to build a better world.

Naturgy has a team of people whose **rigour, professionalism, interest in continuous learning and self-development, innovative spirit, and sustainable commitment to and involvement in achieving the company's goals** are its main features.

In 2020, we continued to develop the organisational model towards a simplified structure, in order to give the Business Units full responsibility and optimise the support they receive from corporate functions. This transformation is being **accompanied by the promotion of diversity and equal opportunities for all employees, as well as a commitment to the development of talent** in order to achieve present and future goals.

Moreover, the new situation has increased the pace at which new working methods are being implemented and has led to the need to redirect the company's preventive activities. For this purpose, Naturgy has adapted its business continuity procedures and implemented measures to maintain activity, prioritising security and minimising risk to all people.

In general, the accident rates have seen a significant reduction in the number of accidents, mainly due to the reduction in non-essential operational activities during the COVID-19 lockdown. However, we deeply regret the significant increase in fatalities among our contractors. We have a strong commitment to safety and will continue to work to prevent such events in the future.

We are convinced that the commitments that guide our purpose are pertinent; this certainty is bolstered by the **constant acknowledgement that the leading global sustainability indices** give to our performance; Naturgy is one of the most nationally and globally recognised companies in the field.

In 2020, we were again chosen to be a member of the Dow Jones Sustainability Index (DJSI) World and Europe, the Euronext Vigeo Eiris World 120, Europe 120 and Eurozone 120 indices, and the FTSE4Good Index index, among others. Furthermore, we once again obtained the highest rating from MSCI (AAA). In addition, we joined the CDP Climate Change A list and were recognised by Sustainalytics for having low environmental, social and governance (ESG) risk. Finally, we were rewarded with Prime classification by ISS ESG for high corporate sustainability performance and with the gold medal by the Ecovadis agency, which assesses suppliers from all over the world, for our ESG performance.

We are also pleased to have received the first prize in the Environmental Management section of the European Business Awards for the Environment, organised by the European Commission, for combining environmental sustainability with business success.

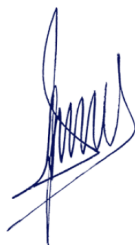
I invite you to read this report, in which you can learn more about the company's business model, strategy and commitments, as well as its results for the year. This report also contains our contribution to the Paris Agreement and to the United Nations Sustainable Development Goals, with our renewed commitment to sustainability for yet another year through the Global Compact. The report was prepared in accordance with GRI Standards, the requirements of Spanish Law 11/2018 and the United Nations Guiding Principles Reporting Framework.

In this report, you will also find our carbon footprint, calculated according to the recommendations of the Task-force for Climate Related Financial Disclosure (TCFD), which provides greater detail on Naturgy's response to the challenges of climate change.

You can also access the Green Bond Report issued in November 2017, which includes 35 environmental projects prepared in accordance with Naturgy's Green Bond Framework.

Finally, I would like to highlight the responsibility that both companies and citizens have to **jointly transforming our societies to make the planet a fairer, cleaner and healthier place and where the Sustainable Development Goals are closer than ever to being achieved.**

Thank you very much for your constant support to the Naturgy project,



Francisco Reynés
Executive Chairman

Madrid, March 2021.



We are committed
to transforming
the company
to make it
more efficient,
sustainable, simple
and dynamic.

Sustainability Report and Non-Financial
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01

Business model

01. Business model

Company situation

Naturgy Energy Group, S.A. was incorporated in 1843 and its registered office is at Avenida San Luis, number 77, in Madrid.

Naturgy Energy Group, S.A. and its subsidiaries (hereinafter Naturgy) is a group dedicated to the generation, distribution and commercialisation of energy and services that works to guarantee the well-being of people, the progress of companies and society, and the sustainability of the planet.

Naturgy operates in over 20 countries, where it supplies gas and electricity to more than 16 million customers. Our installed capacity is 15.3 GW and we offer a diversified mix of electricity generation.

Naturgy operates in the regulated and liberalised gas and electricity markets —where its international activity is steadily growing— and chiefly in the following areas:

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

Naturgy's mission is to:

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

Naturgy is a group dedicated to the generation, distribution and commercialization of energy and services that works **to guarantee the well-being** of people, the progress of companies and society, and the sustainability of the planet.



Our mission

Meet the needs of
Shareholders | Customers | Employees | Society



Our vision

Shareholders
Offering increasing sustainable profitability.

Customers
**Being leaders in continuous growth
and with a multinational presence, offering high-quality
products that respect the environment.**

Employees
Offering opportunities for professional and personal development.

Society
Contributing positively through a global commitment.



Our values

Customer-oriented.
Commitment to results.
Sustainability.
Interest in people.
Social responsibility.
Integrity.

■ Contribution to Ebitda by activity (%)

	2020	2019
Renewables, New Business and Innovation	10.4	8.5
Commercialisation	9.5	6
Energy and Network Management	82.6	88
Other	(2.5)	(2.5)

Business model and organisational structure

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

In 2020, Naturgy made further progress in its transformation process by reorganising its business around three strategic areas: Energy and Network Management, Renewables and New Businesses and Commercialisation. It is easier to keep track of how the businesses perform with this new organisation. Operating segments have been redefined based on the following criteria:

- Energy Management and Networks:
 - Iberia Networks: comprises the gas and electricity network businesses in Spain.
 - Latin America Networks: includes the gas network business in Argentina, Chile, Brazil and Mexico and the electricity network business in Argentina and Panama.
 - Energy Management: includes the businesses of International LNG Commercialisation, Markets and Supplies, Pipeline Management, Thermal Generation Spain and Thermal Generation Latin America (Mexico, Dominican Republic and Puerto Rico).
- Renewables and New Businesses:
 - Renewables Spain and the United States: includes the management of the facilities and projects for the generation of hydraulic, wind, small hydro, solar and cogeneration energy sources. Activities included in this segment are currently carried out in Spain, although future activities are planned in the United States.
 - Renewables Latin America: includes the management of renewable electricity generation facilities and projects of Global Power Generation (GPG) located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
 - Renewables Australia: includes the management of the renewable electricity generation facilities projects for GPG located in Australia.
- Commercialisation: the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and developing the full potential of the brand.

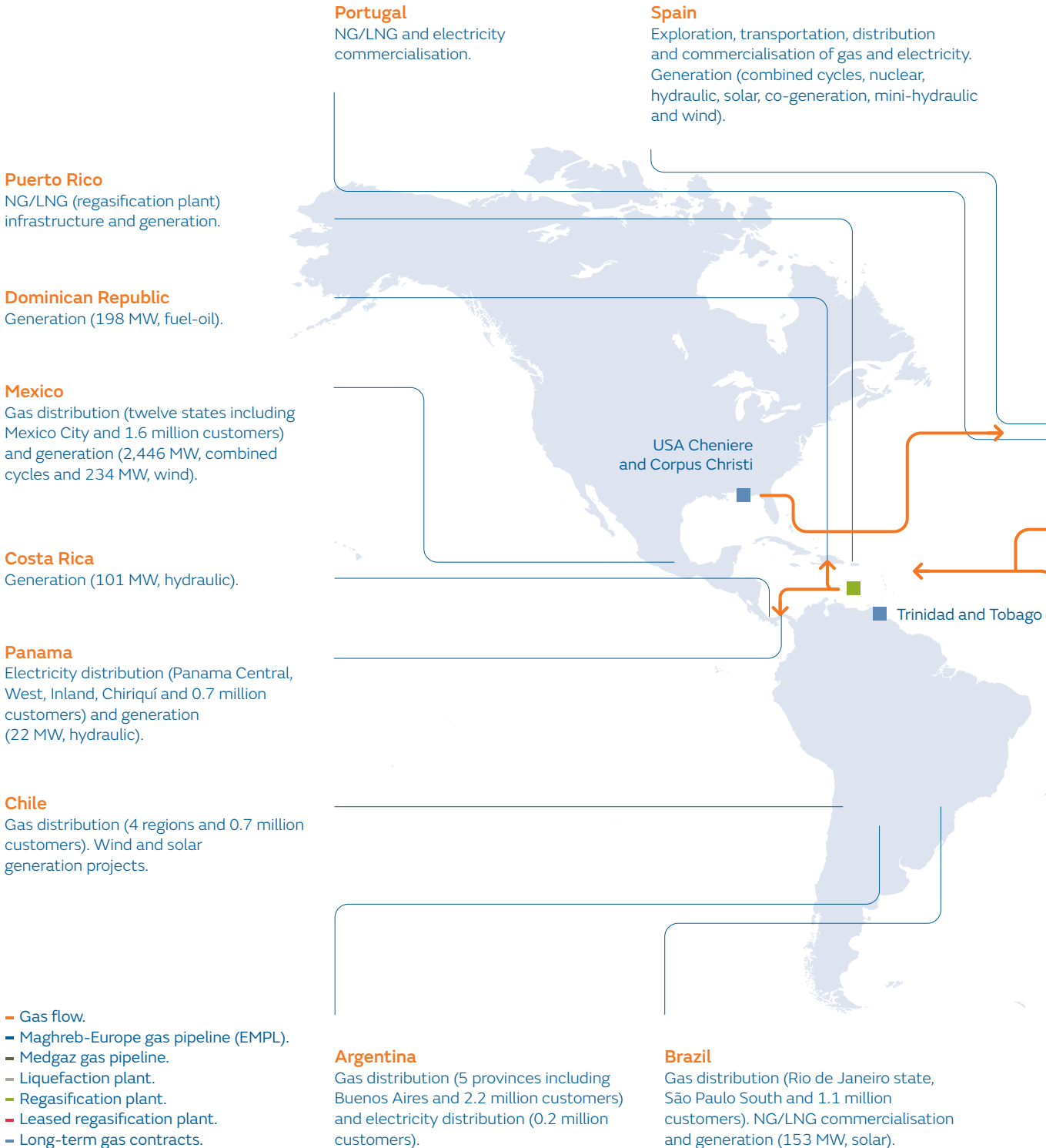
This organisation seeks to continue to ensure transparency and accountability and will mark the beginning a new period of profitable network growth, expanding our renewable footprint and building a world-class retail brand.

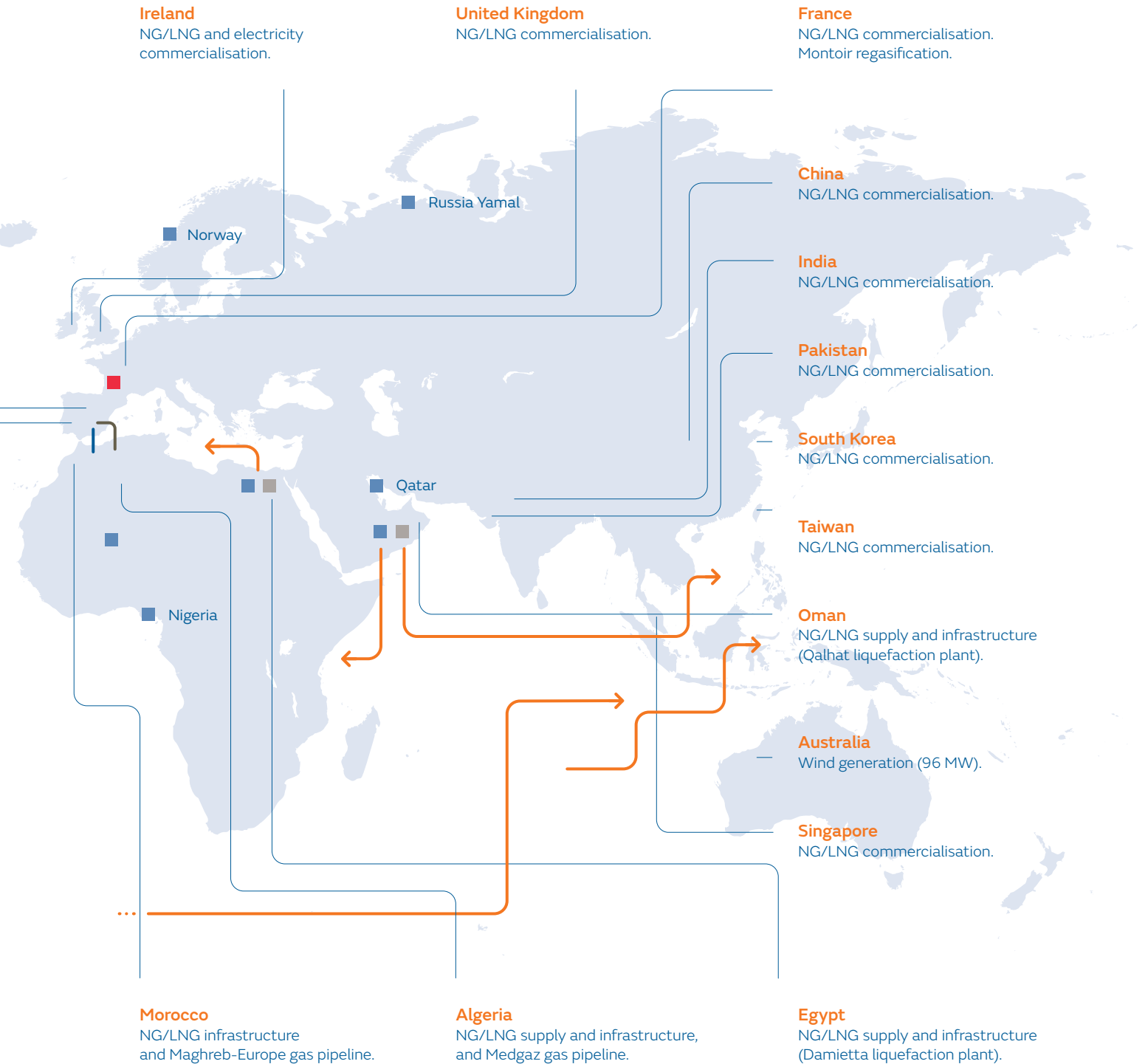
Throughout the value chain, Naturgy's Business Model stands apart as a leader in the gas sector and a key player in the electricity sector, in both cases ensuring the continuity of supply, which is essential to providing a quality service and fulfilling the company's social mission; providing a broad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

Annexe I to the Consolidated Financial Statements has detailed information on the companies that form part of Naturgy and the activities they carry out.



Geographical presence





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



Businesses in which it operates

Leadership in the gas business

	Networks	Gas
	Gas distribution	Infrastructure
	11 million supply connections. 134,802 km of network.	Eight long-term methane tankers. Two gas pipelines, Maghreb-Europe (EMPL) and Medgaz.
Our positioning	<p>Spain Leader in Spain with a 69% market share, distributing natural gas to more than 1,100 municipalities in nine autonomous regions and 5.4 million customers.</p> <p>Latin America Latin America's top distributor, catering for more than 5.6 million customers. Presence in Argentina, Brazil, Chile and Mexico and in five of the ten largest Latin American cities.</p>	<ul style="list-style-type: none"> - Eight methane tankers (1.3 Mm³). - Management of the main gas pipeline supplying the Iberian Peninsula Maghreb-Europe (EMPL) and 24.5% stake in Medgaz. - Stake in the Ecoeléctrica regasification plant and two liquefaction plants (Damietta and Qalhat). - 0.5 bcm of company-owned storage capacity and 0.6 bcm of leased capacity.
Our strength	Naturgy is a leader in the markets where it operates, affording it an excellent platform for organic growth, in terms both of attracting new customers in municipalities with gas and of expanding networks to areas without gas.	<p>Naturgy has an integrated gas infrastructure that affords it considerable stability, making its operations more flexible and enabling it to transport gas to the best business opportunities.</p> <p>Storage capacity enables it to ensure a constant supply, avoiding the impact of seasonal fluctuations or peaks in demand.</p>



Supply

~ 28 bcm supply portfolio.

Business Model based on diversification and flexibility that have made Naturgy a global operator with a strong international profile. Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).

A diversified and flexible portfolio of procurement contracts, with review mechanisms in the event of price mismatches.

Commercialisation

318 TWh of gas supplied.

Unique access to markets: 11 million customers and LNG sales in numerous countries worldwide.

A global operator with the flexibility to tap markets offering attractive margins.

23% market share in Spain.

Competitive supply to combined cycle plants (CCGT).

Naturgy has a diversified portfolio of end customers, and supplies gas both in Spain and internationally.

Naturgy is a leader in dual fuel supply and it offers a broad range of value-added services.



A key player in the electricity business

	Networks	Electricity
	Electricity distribution	Conventional generation
	4.7 million supply connections. 151,495 km of network.	10.6 GW of generation capacity.
Our positioning	<p>Spain The third-largest operator in the Spanish market, where it distributes electricity to 3.8 million customers.</p> <p>Latin America Presence in Argentina and Panama (0.9 million customers).</p> <p>In November 2020, an agreement was reached for the sale of the electricity distribution business in Chile. This activity has been classified as held for sale.</p>	<p>Spain Capacity of 8.0 GW (7.4 GW combined cycle plants and 0.6 GW nuclear). In June 2020, the group abandoned the coal generation business. Naturgy's market share is 18.4%.</p> <p>International 2.6 GW capacity: 2.4 GW combined-cycle plants (Mexico) and 0.2 GW oil-fired (Dominican Republic).</p>
	<p>Our strength</p> <p>Naturgy is a leader in the markets where it operates.</p> <p>Naturgy is an efficient operator in terms of operation and maintenance costs in the electricity distribution business.</p>	<p>The company has far-reaching knowledge in all generation technologies in which it operates and provides an infrastructure which is able to adjust to the needs of each energy model and the real situation in each particular country.</p>



Renewable generation	Commercialisation
4.6 GW of generation capacity.	23.9 TWh commercialised.
<p>Spain Capacity of 4.0 GW (2.0 GW hydraulic, 1.7 GW wind, 0.2 GW solar and 0.1 GW cogeneration. Naturgy's market share is 2.1%.</p> <p>International 0.6 GW capacity: 0.1 GW hydroelectric (Costa Rica and Panama), 0.3 GW wind (Mexico and Australia) and 0.2 GW solar (Brazil).</p>	<p>Leader in the mainstream consumer and residential segments, with a total market share of 10% in Spain.</p> <p>One of the main traders in the Spanish market.</p> <p>A dual fuel supply and a broad range of value-added services.</p>
<p>Naturgy'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 commercialisation of natural gas and electricity affords the company major advantages, such as lower service costs, integrated customer care and lower acquisition costs, not to mention greater customer loyalty.</p>

Regulatory environment

Annex IV. The Regulatory Framework of the Consolidated Annual Accounts includes a description of the industry regulation and explains the functioning of the electricity and gas system in the markets in which Naturgy operates.

■ Main economic figures of Naturgy

	2020	2019 ⁽¹⁾
Net turnover (million euro)	15,345	20,761
Gross operating profit (Ebitda) (million euro)	3,449	4,252
Total investments (million euro)	1,279	1,685
Net profit (million euro)	(347)	1,401
Dividend paid (million euro)	1,370	1,319
Share price as at 31 December (euro)	18.96	22.4
Earnings per share (euro)	(0.36)	1.43

⁽¹⁾ 2019 has been restated as discontinued activities in 2020 according to IFRS5.

■ Main operational figures of Naturgy

	2020	2019 ⁽¹⁾
Gas distribution sales (GWh)	403,910	465,844
Gas transportation/EMPL (GWh)	49,383	68,703
Gas distribution supply points (in thousands)	11,052	11,075
Electricity distribution supply points (in thousands)	4,727	4,689
Gas distribution network (km)	134,802	133,917
Length of electricity distribution and transportation lines (km)	151,495	150,341
Electricity generated (GWh) ⁽²⁾	41,977	44,704

⁽¹⁾ 2019 has been restated as discontinued activities in 2020 according to IFRS5.

⁽²⁾ Includes coal power generation in Spain.

■ Gas supply and transportation (%)

	2020	2019
Others (LNG)	15.5	6.9
Nigeria	5.6	11.5
Trinidad and Tobago	10.3	10.2
USA	17.5	16.8
Others (NG)	14.1	14.0
Algeria	15	19.6
Oman/Egypt/Others ⁽¹⁾	4	3.6
Qatar	3.8	6.2
Norway	3.2	4.9
Russia	11	6.3

⁽¹⁾ Gas deriving from Unión Fenosa Gas.

■ Energy mix of Naturgy (%)

	2020	2019
Thermal	4.6	11.6
Hydroelectric	13.1	12.3
Wind	12.8	11.2
Nuclear	3.8	3.6
Small hydro	0.7	0.6
Solar	2.5	2.4
Cogeneration	0.3	0.3
Combined-cycle	62.2	58.0

■ Installed capacity by source of energy (MW)

	2020	2019
Hydroelectric	1,951	1,954
Nuclear	604	604
Coal ⁽¹⁾	530	1,766
Combined-cycle	7,427	7,427
Wind	1,691	1,540
Solar	249	250
Small hydro	111	111
Cogeneration	51	51
Total installed capacity. Spain	12,614	13,703
Power installed in ordinary system. International	3,250	3,169
Hydroelectric	123	123
Fuel-oil	198	198
Combined-cycle	2,446	2,365
Wind	330	330
Solar	153	153
Total power	15,864	16,872

⁽¹⁾ Includes coal activity despite being presented as discontinued activities in the Consolidated Income Statement.

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

	2020	2019
Costa Rica	371	369
Spain	7,715 ⁽¹⁾	5,844
Mexico	754	670
Panama	94	70
Brazil	295	302
Australia	287	294
Total	9,516	7,549

⁽¹⁾ Includes cogeneration.

■ Net energy production by energy source and regulatory system (GWh)

	2020	2019
Total production. Spain	25,917	25,771
Production in ordinary system. Spain	21,212	22,595
Hydroelectric	3,011	2,816
Nuclear	4,387	4,542
Coal	958	699
Combined-cycle	12,856	14,538
Production in special system. Spain	4,705	3,176
Wind	3,546	2,258
Small hydro	524	544
Solar	320	227
Cogeneration	315	147
Production in ordinary system. International	16,060	18,933
Hydroelectric	465	439
Fuel-oil	481	1,105
Combined-cycle	13,778	16,123
Wind	1,041	964
Solar	295	302
Total production	41,977	44,704

Includes coal activity despite being presented as discontinued activities in the Consolidated Income Statement.

■ Average efficiency by technology and regulatory system (%)

	2020	2019
Combined cycle (Ordinary. Spain)	52.76	52.40
Coal thermal (Ordinary. Spain)	31.23	31.70
Combined cycle (Ordinary. International)	55.25	53.90
Fuel-oil (Ordinary. International)	40.51	40.60

■ Average availability factor by technology (%)

	2020	2019
Hydroelectric (Spain)	85.71	89.10
Coal thermal (Spain)	48.85	96.90
Nuclear (Spain)	90.53	92.90
Combined-cycle (Spain)	87.33	88.70
Wind farms (Spain)	98.46	98.30
Solar (Spain)	99.01	n/a
Small hydro (Spain)	96.51	99.20
Cogeneration (Spain)	86.99	84.62
Hydroelectric (international)	94.67	94.39
Wind farms (international)	93.04	n/a
Solar (international)	98.54	n/a
Fuel-oil (international)	83.83	87.92
Combined-cycle (international)	90.38	96.06

■ Energy losses in transportation and distribution (%)

	2020	2019
Spain	8.25	8.26
Argentina	13.23	11.40
Chile	9.73	8.20
Panama	14.38	12.14

■ ICEIT: Installed capacity equivalent interrupt time (hours)

	2020	2019
Chile	13.60	14.50
Spain	0.66	0.70
Panama	45.78	41.08

■ SAIFI: Frequency of electrical power cuts (No. of interruptions by customer)

	2020	2019
Chile	5.70	5.70
Spain	0.98	1.23
Panama	24.01	21.38

■ SAIDI: Average duration of electrical power cuts (hours)

	2020	2019
Chile	13.80	14.80
Spain	1.04	1.19
Panama	74.41	64.53

■ ASIFI: Average System Interruption Frequency Index

	2020	2019
Chile	5.50	5.60
Spain	0.72	0.81
Panama	18.72	17.48



We are working
on the development
of a business
model that ensures
sustainability,
taking on a leading
role in the energy
transition.

Sustainability Report
and Non-Financial Information Statement
2020

02

Value creation and sustainable management

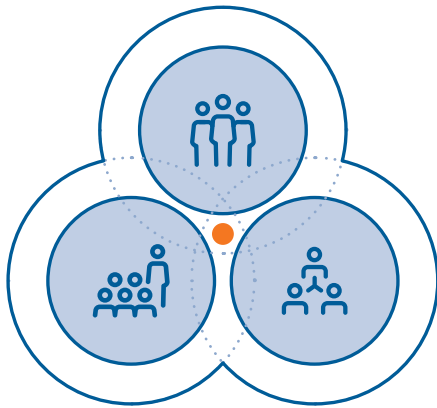
02. Value creation and sustainable management

Sustainable positioning of Naturgy

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

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

■ Three aims, the same target



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

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

The company has drawn up this vision, aware of the importance of its actions on people and the environment where it operates, and through its Corporate Responsibility Policy, introduces a series of undertakings that ensure the current and future welfare of people and the environments with which it connects.

During 2020, and as a result of the company's commitment, a Sustainability Committee has been created, reporting to the Board of Directors. The committee is in charge of promoting and supervising sustainable management at Naturgy.

Corporate Responsibility Policy

Naturgy's Corporate Responsibility Policy —whose update was approved by the Board of Directors in 2019— defines the commitment to long-term value creation and sustainable management through a common framework of action, which guides the company's socially responsible behaviour. It is around this that much of this report is structured.

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

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

Naturgy's commitments

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



01 |

Service
excellence



02 |

Commitment
to results



03 |

Responsible
environmental
management



04 |

Interest
in people



05 |

Health and
safety



06 |

Responsible
supply chain



07 |

Social
commitment



08 |

Integrity and
transparency

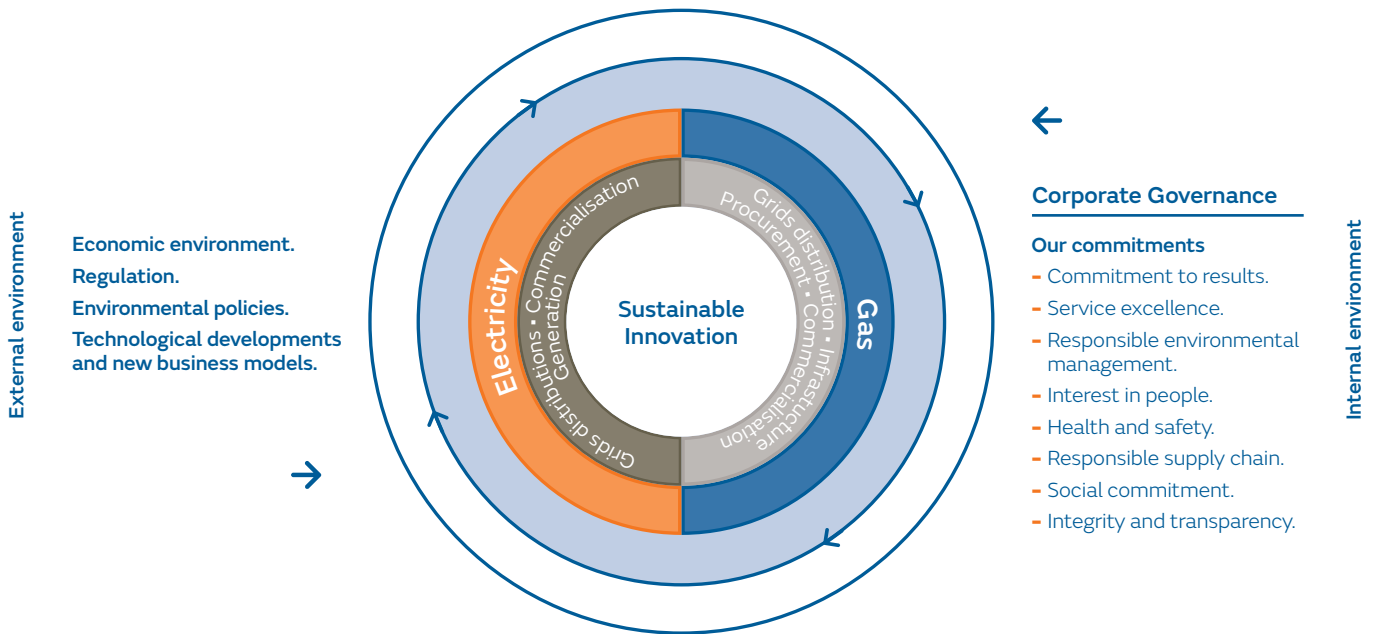
These commitments are horizontal and are present throughout the company's business process, based on the generation of economic, social and environmental wealth.

Thanks to the positive results in each of these commitments, once again in 2020 different organisations of international relevance have recognised Naturgy's management. These acknowledgements are founded not only on the Company's excellent trading figures, but also on its achievements in environmental, social and reputational matters, allowing the company to distinguish itself as a good place to invest and a great workplace.

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.

	Financial	Human	Manufactured	Environmental	Social
Our capitals	Sustainable cash generation. Free cash-flow: €1,626M Strict financial discipline. Indebtedness: 54.7%	Professional development and talent management. Diversity and equal opportunities. Extending principles to the supplier chain.	Investment and maintenance in gas and electricity distribution networks. Sustainable innovation. Operation and development of electricity production capacity.	Environmentally-friendly products and services. Energy efficiency. Undertaking to reduce emissions.	Relations and dialogue with stakeholders. Guarantee of supply.

Strategic planning cycle



Our results	Dividends policy. Paid dividends: €1,370M Meeting financial targets. Ordinary Ebitda: €3,449M Ordinary net profit: €(347)M	Corporate University and training plans. % of trained staff: 92.6% Retaining talent. Voluntary rotation: 1.4 Health and safety. Accident frequency index: 0.04	Gas supply connections: 11 million Electricity supply points: 4.7 million Gas distribution: 403,910 GWh Electricity distribution and transportation network: 151,495 km Electricity net production: 41,977 GWh	Direct GHG emissions: 14.3 MtCO ₂ eq. CO₂ emissions/generation: 297 tCO ₂ /GWh	Economic value distributed: €16,235M Social investment: €7.2M
Our stakeholders	Shareholders	Employees	Customers	Customers • Society	Society

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

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

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

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

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

- **Target 7.** Ensure universal access to affordable, reliable and modern energy, increase the use of renewable energy and promote energy efficiency. In 2020, Naturgy increased its installed capacity in renewable energies by 9% and works actively to offer society and its customers alternative forms of environmentally friendly energy such as renewable gas.
- **Target 11.** Make cities and human settlements inclusive, safe, resilient and sustainable. Naturgy works actively to offer products and services to its customers that help improve energy efficiency and air quality in cities by making them healthier.
- **Target 13.** Take urgent action to combat climate change and its effects. In 2020, Naturgy prevented the atmospheric emission 129 MtCO₂eq.



Sustainability Plan 2021-2025

In line with the company's transformation process, in 2019 Naturgy it began to develop a Sustainability Plan to accompany and contribute to the implementation of the Strategic Plan 2018-2022. In view of the change in the external context caused by various regulatory developments, market demands and marked by COVID-19, the company has decided to carry out a new strategic reflection.

Following the mandate of the Sustainability Committee of the Board of Directors and in order to align and contribute to this strategic reflection, during 2020 Naturgy has reviewed the work carried out in 2019 and has redefined the levers and lines of action that, coupled with the commitments of the Corporate Responsibility Policy and the Sustainable Development Goals (SDG), contribute to the generation of economic, social and environmental wealth.

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

- The Strategic Plan 2018-2022.
- The risk map.
- The Annual Reports.
- The Corporate Responsibility Policy.
- The Code of Ethics.
- Other internal policies and internally developed documentation on ESG performance.

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

- Regulatory and industry trends.
- Analyst and investor requirements.
- Competitor analysis.
- News from different media.

Following the global situation caused by the COVID-19 pandemic, the changes in society at all levels and the transformation experienced by the company, the review of the Sustainability Plan during 2020 included an update of the internal and external analysis carried out in 2019, and in particular:

- New strategic thinking.
- Adaptation to the new organisational structure.
- New regulatory and industry requirements.
- New social demands arising from the COVID-19 crisis.

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

The plan focuses on, and is oriented towards, enhancing those facets of the industry transformation where the company is lagging. To this end, six axes were introduced, pooling 21 lines of action and defining more than 70 monitoring indicators.

Below is a list of the main axes and lines of action defined, their alignment with the commitments of the Corporate Responsibility Policy and the main SDG to which they will contribute.

The targets for each of the actions will be defined throughout 2021.

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



Stakeholders of Naturgy

Naturgy has identified the following as its main stakeholders:



- Shareholders and investors.
- Suppliers.
- Business partners.
- Employees.
- Analysts.
- Market agents.

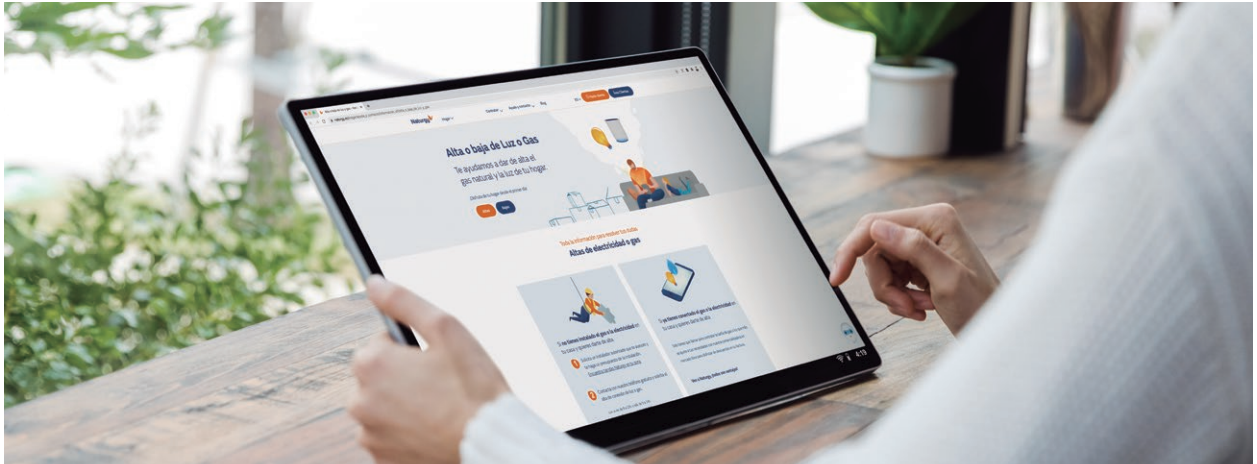
- Society.
- Administration.
- Regulatory bodies.
- Financing groups.
- Customers.
- Insurance and reinsurance agencies.

Dialogue with stakeholders

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

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

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



■ Actions of dialogue with “Customers” conducted in 2020

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

■ Ongoing. ■ Occasional. ■ Monthly/annual. ■ According to needs. ■ Periodic.

■ Actions of dialogue with “Employees” conducted in 2020

	Frequency
Consultancy actions	
Digital meetings via Teams with the Chairman and answers to employee questions via Nnews.	■
Digital meetings with Senior Management via Teams.	■
Virtual meetings between teams.	■
Psychosocial risk survey.	■
Informative actions	
More than 500 pieces of information in the corporate media Nnews.	■
Informative email directly to each employee from internal communication.	■
Email about specific projects: ImaginaT, Cybersecurity, Volunteering, Corporate University, etc.	■
Communication campaigns for volunteers, conciliation measures, Naturgy Foundation sessions, specific COVID-19 communication campaign, Naturgy Group’s Corporate Responsibility Policy.	■

■ Ongoing. ■ Annual. ■ Periodic. ■ Quarterly. ■ Daily. ■ Weekly. ■ Fortnightly.

■ Actions of dialogue with “Society” conducted in 2020

	Frequency
Consultancy actions	
Public announcement for a request for proposals to allocate the funds raised by the employee association Solidarity Day in the selected country.	■
Informative actions	
Energy Perspectives: A series of conversations that brings together figures recognised internationally for their experience, vision and knowledge of the energy sector and entrepreneurs, regulators, managers and academics.	■
Foundation publications on various subjects.	■

■ Ongoing. ■ Annual. ■ Periodic.

Naturgy's response to COVID-19

2020 has been particularly marked by the crisis caused by the COVID-19 pandemic. Naturgy's vision and commitment to its stakeholders and society in general have been highlighted during this crisis and special support has been provided in all locations to meet the needs of the most vulnerable population in the face of this contingency. The pandemic has tested the company's response mechanisms.

In just a few days, Naturgy introduced an action plan to prioritise mitigating the effects of the crisis, ensuring the widest possible scope, with a 360° view.

Thus, several priorities were established: ensuring optimal service, protecting employees and their families, anticipating support mechanisms in the face of the impending economic crisis, both for customers and suppliers, and other measures of a social nature.

The exceptional nature of the situation was immediately taken on board by the company's governing bodies. Accordingly, the Board of Directors changed from monthly to weekly meetings; the Management Committee and the Crisis Operations Committee changed to daily meetings.

Naturgy managed to implement a set of measures in record time aimed at all its stakeholders to help alleviate the effects that the epidemic has caused in the health, economic and social fields, respectively, and seeking to reach the greatest possible number of beneficiaries.

One of the main sources of ideas for the introduction of measures was Naturgy's own employees, who were involved in this challenge and submitted more than 250 initiatives to the company for assessment, many of which ended up being implemented.

This action plan, which was implemented by Naturgy to provide an immediate and comprehensive response to the needs arising from the pandemic, gained recognition by being chosen as a finalist for different awards, such as the European Excellence Awards, the Platts Global Energy Awards and the Correspondent Awards.

The main measures introduced by country are shown below:

1. Actions aimed at "Society"

Spain

Free gas and electric repairs for healthcare personnel, law enforcement agencies, members of the army and the military emergency unit, and firefighters: Naturgy has offered the repair service free of charge for one year to professionals involved in the front line of the fight against the pandemic, whether or not they are customers.

Donation of more than Euros 1 million for the purchase of healthcare equipment: Naturgy employees, together with the contribution of the company itself, have made a donation to the Red Cross amounting to Euros 1.1 million. The amount has been allocated to the purchase of personal protective equipment and volumetric respirators.

Free gas supply to IFEMA: Naturgy has been supplying free gas to the IFEMA exhibition centre, used as a hospital during the first wave of the pandemic, since 30 March.

Free electricity and gas supply to hotels and residences: the company has provided free energy supply to hotels and residential facilities that have given up their premises to the health services in view of the increase in hospitalisations.

Donation of Euros 200,000 to cover the basic needs of children in vulnerable families: the association Solidarity Day has donated the amount to the NGO Educo and the Trilema Foundation to cover subsidised meals, studies and school materials.

Donation of almost 200 computers to young people in a situation of vulnerability: the association Solidarity Day, created and managed by Naturgy employees, together with the participation of other areas of the company, have donated computers so that young people in a situation of vulnerability can continue their studies online.

Educational resources on energy in the family: the Naturgy Foundation has made available the teaching resources of Efigy Education, the educational programme with which it supports teachers in primary and secondary schools and educational cycles throughout Spain. The resources have been provided in digital format and free of charge.

Argentina

Prevention campaign: Naturgy joined the campaign launched by the national government #SomosResponsables (#WeAreResponsible) to raise awareness about the actions to be taken to flatten the COVID-19 infection curve, making available its social networks as a communication tool.

“Your solidarity counts” campaign: employees have made voluntary donations and the company has doubled the amount raised. The funds have been allocated to the fight against the pandemic through the Argentine Red Cross.

Brazil

“Your solidarity counts” campaign: employees have made voluntary donations and the company has doubled the amount raised for the purchase and distribution of personal protective equipment to six public hospitals in partnership with the Federation of Industries of the State of Rio de Janeiro (Firjan) and the State Health Department.

Chile

Power supply to hospitals: Naturgy has enough generators to ensure the power supply to 55 hospitals throughout the country, benefiting about 50% of the population. In addition, hospitals will not be cut off for non-payment.

1 + 1 “Your solidarity counts” campaign: Pesos 175 million awarded to CGE Red Cross and its partners. This contribution will be used in support programmes for homeless people infected with COVID-19.

Mexico

“Your solidarity counts” campaign: a collection of Mexican Pesos 1,000,000 was raised, which will be given to the Mexican Red Cross for the purchase of medical supplies to meet the needs of vulnerable groups.

In addition, in the power generation environments, an ambitious support plan has been implemented consisting of the contribution of medical supplies and food parcels in the municipalities of Tuxpan, Hermosillo, Durango, Agua Prieta and Juchitán de Zaragoza. The investment amounts to Mexican Pesos 3,600,000 and has been materialised through ten partnership agreements with several local institutions (hospitals, residential facilities, municipalities and the Red Cross, among others).

Free supply of natural gas to public hospitals: Naturgy Mexico supplied natural gas free of charge for two months to more than 60 public hospitals connected to its distribution networks.

Panama

“Your solidarity counts” campaign: more than USD 40,000 in masks were donated and used in the modular hospital that handles critical patients affected by the virus.

Santa Clara Community Donation: donation of 400 meals and 400 bags of food products to the residents of the Santa Clara Community in Arraiján.

Prevention information campaign: social media campaign resulting from the national emergency decreed by the Panamanian government with measures to combat COVID-19.

2. Actions aimed at “Customers”

Spain

Deferral of electricity, gas and service bills for domestic customers: the aim was to mitigate the effect of the virus on the family economy in the face of increased domestic consumption resulting from the lockdown.

Deferral of bill payments to SMEs and self-employed workers: Naturgy deferred the electricity and gas bills of SMEs and self-employed people issued during a period of the pandemic so that businessmen and entrepreneurs could cope with the crisis and help alleviate the impact on their income.

Stopping supply cut-offs: the company did not cut off electricity or gas during the time that the health emergency lasted in the country.

Free medical care: Naturgy implemented a free video call healthcare service for all its customers during lockdown, so that citizens could make health consultations without leaving their homes.

Reinforcement of critical infrastructures and urgent care: the company intensified the measures in its protocol for action against coronavirus in all its critical infrastructures to guarantee energy supply. It also continued to deal with incidents and emergencies, to guarantee the supply of electricity and gas with complete normality, increasing the protection measures for all employees who provide these services.

Advice on energy saving: Naturgy has advised its customers on the optimal rates for each case, taking into account the particularities of the situation, providing its customers with a series of tips on energy saving.

Adaptation of the Customer Service: following the instructions given, Naturgy closed the stores and temporarily suspended the preventive maintenance visits. However, the company has reinforced all its online services and continues to work to meet your needs through several channels.

Argentina

Suspension of supply cuts to customers: in compliance with the decrees of the Argentine national government, Naturgy did not cut off gas to any customer belonging to the social tariff category who owed up to six bills. This measure impacted up to 215,000 customers. Moreover, Naturgy did not cut off the gas to any SME commercial customers, or to the work cooperatives and public welfare entities that were contributing to the emergency through food processing and distribution. The measure affected up to 50,000 companies and 504 public welfare entities.

Digital bill: during the isolation period Naturgy sent bills by email to every customer who has a mailbox. The measure already covers 800,000 customers. The communication and promotion actions have reached over 500,000 customers.

Remote service channels: all communication channels (email, social media, press releases, etc.) have been reinforced to keep users informed about self-management and online payment channels and the remote service channels have been given greater response capacity, both the telephone line and the management of queries through social media and the virtual office.

Brazil

Suspension of supply cuts: following the guidelines of the governments of the states of Rio de Janeiro and São Paulo, the cut-off of the piped natural gas supply due to non-payment was suspended on exceptional grounds, benefiting more than one million customers. The measure applies to households, small businesses, individual microentrepreneurs, and medical and hospital services.

Debt deferral: the company launched a debt deferral campaign for customers who did not pay their bills due to the crisis.

Tariff reductions in Rio de Janeiro and São Paulo: natural gas tariffs have been readjusted due to the reduced cost of acquiring natural gas, affecting households, businesses and industries.

Help for industrial customers: Naturgy reached an agreement with Petrobras and the Secretariat of Economic Development, Energy and International Relations of Rio de Janeiro to make the contracts for the purchase of natural gas more flexible. The measure enables industrial customers and volume customers to pay only for the natural gas consumed and not for all the volumes committed to in the contracts. Nor will there be charges for contractual penalties resulting from lower demand caused by the impacts of COVID-19.

Remote service channels: the face-to-face service was suspended. The company's digital channels include the vast majority of services available to customers, such as issuing an account or changing ownership, etc. They operate 24 hours a day, seven days a week.

Remote consumption reading: the remote reading service was launched where the customer reads their consumption directly on the meter and sends the information through the web portal.

Chile

Payment deferral: the company has registered more than 49,000 customers who have asked to take advantage of the payment deferral scheme put in place because of the pandemic. Once the pandemic is over, customers will be able to pay their debts in up to 36 months interest free.

Suspension of supply cut-off: for the duration of the health emergency and the state of emergency.

Special service for SMEs: CGE has set up a special contact channel so that those who are in a complex financial situation and need to agree on payments can do so quickly.

Adaptation of the Customer Service: with the closure of the 66 commercial offices throughout the country, remote service channels were strengthened for all types of procedures and emergency assistance.

Mexico

“We take care of your energy” campaign: in recognition of the work performed by health and safety personnel who are on the front line of the health emergency in the country, Naturgy Mexico launched the initiative “We take care of your energy”, offering one year of free maintenance and repairs in natural gas and gas-domestic facilities, among others, inside the home to all its customers who make up this group in the 52 cities where the company has a presence.

Digital bill: promotion of the use of the mobile application “Naturgy Contigo”, where customers can pay and consult their bill free of charge. Since its launch, more than 50,000 customers have used it.

Guaranteed supply and services: reinforcement of operations, through specific action protocols that guarantee continuity of supply and emergency care.

Remote service channels: the on-site service centres have been closed and the digital service and information channels (Twitter, Facebook, call centre and virtual office) have been reinforced to meet the needs of users and stakeholders in real time.

Panama

Payments and tariffs: according to the modifications in the Panamanian state subsidies, Naturgy gave an additional subsidy to customers based on their consumption. Similarly, the extension of the term provided for in the Moratorium Law allowed the electricity debt to be extended in instalments for three years.

Suspension of the power cut: Naturgy called off the power cuts. The measure was extended until July.

Facilities for prepaid customers: 30-day and telephone top-ups have been facilitated to ensure that customers have a secure supply.

Online billing: active service before the pandemic and reaching 25% of customers. After negotiations with the Public Service Authority (ASEP), today, 10% of customers with the online billing service have agreed to stop receiving the physical bill.

Remote service channels: following the decision to temporarily close the on-site service centres, remote service channels have been reinforced and the 24/7 working hours have been extended. The virtual office was also made available.

Information campaign with measures implemented: the measures introduced were made known to customers through traditional media and also through a campaign on social networks.

3. Actions aimed at “Employees”

Global

A major campaign to combat the pandemic has been carried out, spearheaded by the Medical Assistance and Integral Health Unit:

Daily crisis committee with the participation of all countries to monitor the evolution of the pandemic with a particular focus on the impact on the staff.

In January, the communication plan began with a package of preventive measures aimed at raising awareness as a tool for protecting employees and their families, to combat the effects of the pandemic and ensure business continuity.

In February, preventative isolation was established for teleworking staff from risk regions and work travel was limited to that which was essential at the express indication of the Chairman.

The medical services paid special attention to workers at risk. Following an assessment of their health these workers were sent to work from home.

Since the end of February, the health team has been monitoring the group's workers on a daily and global basis. Communication channels were established so that employees who found themselves with symptoms or if their relatives showed symptoms, they could be advised and followed up by telephone medical attention from the company's medical services.

From the outset, the company facilitated workers' access to a package of specific measures, with the coordination of the Health area and the different departments —Risk Prevention, General Services, Employee Care Service (SAE) and the Corporate Safety and Emergency Centre— providing protocols and procedures to guide actions in the different COVID-19 risk situations.

A series of parameters to monitor and control the impact of the pandemic on employees in all countries were also monitored from the outset by the medical services. For this purpose, the following indicators were monitored: number of people in isolation, number of people with symptoms, number of people testing positive and number of accumulated people back at work after quarantine.

Spain

In March, after the widespread lockdown of the population, Naturgy gave free and direct access to any employee (or family member) who required it to the psychological support service, through the specialised telephone hotline.

In May, an online physiotherapy consultation service was made available to employees to promote comprehensive healthcare and prevent, through targeted exercise, the effects of remote working and the limitation of outdoor activities.

In June, a massive antibody testing campaign was launched, targeted at employees and their families, as part of the company's overall effort to plan for a return to the workplace. This campaign ended in October after offering all employees in Spain and their families the tests, with 5,168 tests performed on employees and 10,107 tests on family members.

In July, a new communication tool was implemented between employees and the company's health services, the app #SaludNaturgy (#NaturgyHealth), to reinforce the systematic monitoring and management of employees' health status in all matters related to COVID-19.

In October, Naturgy's medical services implemented a return-to-work test for personnel who have become infected or have been in close contact with an infected person as an additional measure to those recommended by the health authorities.

Special plan for workers: Naturgy has carried out a direct instruction for all employees in Spain, Portugal and France to work from home, except for those who carry out operational activities critical to the supply. In addition, it has introduced flexible working hours for all its employees, allowing them to adjust working hours and the workday performed according to each employee's specific work/life balance.

Argentina

Teleworking: teleworking measures have been adopted for all non-essential staff. The initiative reaches 75.74% of the staff of Naturgy BAN, NESA, Gasnor, Gasmarket and Energía San Juan.

Contingency plans and security measures: Naturgy has implemented contingency plans for critical activities and positions that needed to continue operating. In addition, it has strengthened security measures for essential personnel working on public roads.

Awareness campaign: using email and internal posters, news, recommendations and good practices on how to prevent the spread are provided.

Brazil

Teleworking: from 16 March, the company started a gradual teleworking regime for all employees who could perform their activities from home. Since 23 March, 94% of employees have been working in the home office, with the exception of those whose activities do not allow it.

Contingency plans and safety measures: the operating areas, both the one responsible for monitoring the piped gas network as well as the technical service teams, continue to operate 24 hours a day, following contingency plans and adopting greater safety measures (hygiene, protection, etc.).

Online employee health monitoring: the physical and mental health of employees is monitored weekly through two online questionnaires.

Psychological support service for employees and their families: free telephone channel for emotional support for health 24 hours a day, every day of the week. The service is provided by a team of psychologists and social workers.

Awareness campaign: weekly live transmissions have been made with professionals specialising in psychiatry on topics such as “Preserving mental health”, “Safe and healthy home office”, as well as advice on ergonomic issues and the take-up of healthy habits.

Chile

Teleworking: 86% of workers are currently working from home. CGE made the decision to introduce this measure on 16 March. A critical working group is maintained on site, which is key to operational continuity.

Awareness campaign: a range of hygiene, health and prevention measures, both physical and emotional, were explained. A telephone channel was made available for free psychological support for all partners. Under the hashtag #JuntosConEnergía (#TogetherWithEnergy) messages are launched to maintain partners’ pride and sense of belonging. Informative sessions have been held for team leaders on how to manage from home, ergonomic data, organisation of the day with a remote work mode, among others.

Mexico

Teleworking: the company instructed all employees to work from home, except those who perform critical operational activities to ensure continuity of supply and security in the infrastructure. Currently 90% of the staff are teleworking.

Contingency plans and security measures: sanitary filters were implemented at all facilities, in order to prevent, detect and contain the spread of COVID-19. Critical personnel have been provided with protective equipment and are given daily medical checks. They are provided with transfer vehicles to avoid using public transport. By the same token, all

the necessary protocols have been implemented in coordination with the Secretariat of Public Safety and Protection to guarantee the mobility of critical equipment that ensures the full operation of all the infrastructures operating in the country.

Medical service and coverage: the 24/7 medical service was set up to attend to any partner who might have symptoms. This service is extended to immediate family members. In addition, facilities were provided for direct family members to take out the policy, in order to deal with any medical eventuality requiring hospitalisation.

Awareness campaign: an internal communication campaign has been deployed on an ongoing basis with recommendations on health, technological tools, cybersecurity, online training, optimisation of free time, distance working, family activities, reading recommendations, among others.

Sanitary kits: delivery of a package of sanitary and protective products to employees and partners of production facilities, for use in the family setting.

Panama

Teleworking: from 13 March, labour flexibility measures were offered in two staggered phases. On 18 March, 67% of the non-critical staff were teleworking and were equipped with the required IT equipment. As of 26 March, 98% of the non-critical staff had taken advantage of the labour flexibility measures offered by the company, 90% of them working from home.

Health monitoring measures: in particular, individualised health monitoring is maintained for the group at high risk due to existing pathologies (100% working from home). A medical team is available 24 hours a day for monitoring, consultation and follow-up of symptoms.

Prevention and control measures in offices: continuous provision of basic hygiene inputs in the various workplaces. Monthly provision of kits to employees according to the phase of reincorporation, installation of footbaths in all workplaces, daily taking of temperature, signposting of physical distance and hygiene measures in the workplaces.

Reincorporation phases: for the reincorporation phases, measures were introduced that were applied according to the date of return and in line with the needs of each partner: teleworking; reduction of working hours; continuous working hours; flexibility in working hours; flexibility to work from a workplace closer to the home.

Serological antibody detection tests were also made available to all employees and their families.

4. Actions aimed at “Suppliers”

Spain

Reinforcement of protection measures for collaborating companies: Naturgy has extended the measures included in its specific health and safety plan during this health crisis to all partner companies.

Cash payment for services provided by SMEs and self-employed persons: Naturgy has advanced the payment of invoices to SMEs and self-employed suppliers in the company's Spain-based operations for invoices for the second quarter of 2020.

Argentina

Speeding up payment/liquidity: we accepted invoices from suppliers by email, without the need to send the invoice in paper format, and arranged payment of these through bank transfers.

Authorised installers: a mailbox was set up so that accredited installers could carry out procedures remotely. In turn, the expiry of the licenses was extended until 31 July.

Chile

Support to contractor companies: the company supports its contractors so that they can maintain their sources of employment and the electrical service. As of 20 April, cash payment has been enabled for a number of contractors considered critical to the operation and which, due to their size and turnover, are at risk.

Mexico

Speeding up payment/liquidity: to help suppliers, cash payment has been arranged for work performed by critical service providers to facilitate liquidity. This covers 100% of critical suppliers (30 suppliers).

Health and safety measures: transmission of Naturgy Mexico's health and safety protocols to ensure safe working conditions, including the handover of personal protective equipment.

Panama

Reinforcement of health and safety measures: Naturgy has extended the measures included in its specific health and safety plan during this health crisis to all partner companies.

An integrated and sustainable business model

■ Key Corporate Responsibility indicators

	2020	2019
Service excellence		
Global satisfaction with service quality (on a scale of 0-10)		
Spain (domestic)	7.5	7.2
Spain (SME)	7.5	7.1
Spain (wholesale)	7.8	7.5
Argentina ⁽¹⁾	-	-
Brazil	8.5	8.6
Chile (electricity) ⁽²⁾	5.7	5.7
Chile (gas) ⁽²⁾	5.9	5.9
Mexico	7.2	8.5
Panama ⁽¹⁾	7.3	-
Commitment to results		
Net turnover	15,345	20,761
Gross operating profit or Ebitda (million euro)	3,449	4,252
Evolution of the DJSI percentile	96	100
Responsible environmental management		
Direct greenhouse gas emissions (GHG) (MtCO ₂ eq)	14.3	15.4
Emission factor including nuclear (tCO ₂ /GWh)	297	301
Water consumption (hm ³)	20.3	20.0
Generation of waste (kt)	159	154
Recovered and recycled waste (%)	61	57
Initiatives to improve biodiversity (No.)	265	257
Environmentally certified Ebitda (%)	92.2	88.7
Environmental investments and expenses (million euro) ⁽³⁾	685	546
Interest in people		
Number of employees ⁽⁴⁾	10,540	11,847
Men/Women (%)	67/33	68/32
Women in management posts (%)	22.6	29.4

⁽¹⁾ Argentina and Panama have not measured global satisfaction with service quality during 2019. Data for Argentina in 2020 is not available at the date of publication of this report.

⁽²⁾ Figures measured on a scale of 1 to 7.

⁽³⁾ Includes investment in renewable energies.

⁽⁴⁾ For 2019, 78 people are not included for Kenyan operations that had been discontinued.

Continues >

	2020	2019
Personnel costs (million euro)	798	924
Annual investment in training (euros)	5.02	6.99
Employees covered by collective bargaining agreements (%)	74.5	74.0
Health and safety ⁽⁵⁾		
Number of lost time accidents (No. of employees)	4	14
Days lost due to lost time accidents	438	704
Deaths	0	0
Lost time accidents frequency rate	0.04	0.12
Lost time accidents severity rate	4.14	6.04
Absenteeism rate (%)	2.37	2.48
Responsible supply chain		
Suppliers with contracts currently in force	6,553	7,896
Total purchase volume awarded (million euro)	1,955	2,510
Purchasing budget targeted at local suppliers (%)	95.22	92.37
Suppliers assessed according to ESG criteria (No.) ⁽⁶⁾	7,780	7,407
Social commitment		
Evolution of the contribution from Naturgy (million euro)	7.16	8.16
Breakdown by type of action (%)		
Social	82	84
Environmental	2	2
Cultural	16	14
Sponsorship and social action activities	106	134
Integrity and transparency		
Notifications received by the Ethics and Compliance Committee	141	194
No. of complaints received per 200 employees	1.5	3.3
Average time for resolving complaints (days)	42	48
Audit projects analysed on the basis of the risk of fraud	110	95
Complaints received in the area of human rights ⁽⁷⁾	0	0
Number of persons trained on the Human Rights Policy	6,827	7,918

⁽⁵⁾ With the exception of the absenteeism rate, the health and safety indicators have been calculated according to the new OSHA criteria (indicators per 200,000 hours worked).

⁽⁶⁾ 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.

⁽⁷⁾ The human rights issues referred to in this indicator are freedom of association and collective bargaining, respect for the rights of ethnic minorities and the rejection of child labour and, in general, any form of exploitation.



Integrated management system

For years, Naturgy has had an integrated quality, environment, health and safety management system (IMS), certified according to the requirements of the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards. This system is audited externally every year. In 2020 this audit was carried out by AENOR in all businesses and countries.

The processes certified through this system are:

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

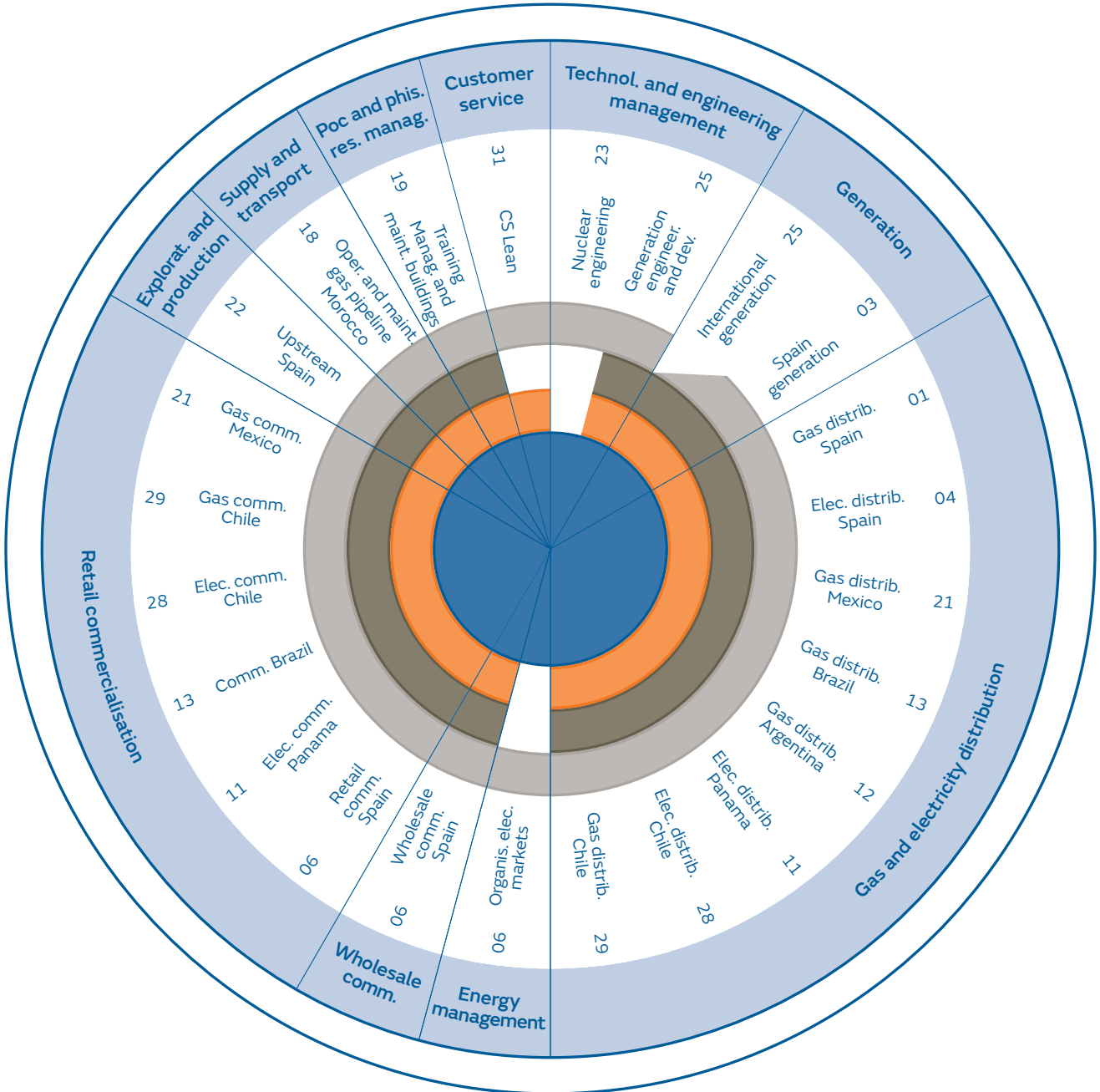
As part of the IMS, the Healthy Company Integrated Management System is also audited and certified annually in the units in Spain, Argentina, Brazil, Chile, Morocco, Mexico and the Dominican Republic, in accordance with the Healthy Company Model.

In addition, the energy services activity included in the commercialisation of natural gas and electricity in Spain is certified in the energy management system according to ISO 50001.

Compared to the previous year, the transition from OHSAS 18001 to the new ISO 45001 standard for occupational health and safety management throughout the group, including auditing and certification, was completed in 2020.

■ Outline of quality, environmental, health and safety certifications

Ed. 35 (22/09/2020)



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



We are implementing an innovative strategy, adopting new technologies and introducing more disruptive business models.

03

Avant-garde and sustainable innovation

Naturgy's contribution to the SDG



03. Avant-garde and sustainable innovation

Management outlook and focus

One of the key growth levers for Naturgy is innovation, since it enables the incorporation of new or better practices, new business models, and technologies to allow the company to become more efficient and competitive. It permits the company to remain at the forefront and centre all its efforts on its customers.

The way in which innovation is devised enables risks to be transformed into opportunities, as a contribution to the creation of an agile company capable of riding the wave of constant transformation.

Naturgy considers the contribution made by innovation to be essential in order to allow the targets set out in the Strategic Plan to be met.

Naturgy's innovation model evolved in 2020 and was integrated into the management of the New Business and Innovation Department as a forward-looking strategy to speed up the processes for implementing the most disruptive business models.

■ Investment in innovation

Investment in innovation by type (million euro)	2020	%	2019	%
Process innovation	26.45	71.94	16.40	45.1
Product innovation	5.82	15.84	15.20	41.8
Marketing innovation	0.4	1.1	1.53	4.2
Organisational innovation	2.11	5.75	1.24	3.4
Social innovation	1.97	5.37	2	5.5
Total R&D&I	36.75	100	36.37	100

Naturgy wants to play an important role in the Spanish Government's Recovery, Transformation and Resilience Plan, to contribute to the country's Energy Transition, which is one of the main axes established in the Plan. To this end, Naturgy has created a work team with more than 100 participants from different departments across the company, which has made it possible to detect a large volume of projects. In total, approximately 30 project lines have been identified from the 6 working groups, with a potential investment of around Euros 14,000 million. The main lines identified are:

- Renewable gases: development of projects for the production of renewable hydrogen and biomethane, adaptation of infrastructure for blending into the gas network and development of projects for use by end customers.
- New renewable electricity: increasing the renewable generation portfolio by developing energy storage projects and innovative renewable generation technologies, such as floating offshore wind power.

- Digitisation: use of digital technologies to make electricity and gas networks an energy transition facilitator, to develop new customer services and to improve asset operation and maintenance through the use of technologies such as Artificial Intelligence or Augmented Reality.
- Energy efficiency: development of customer solutions in the areas of self-consumption, sustainable building and efficiency in industry.
- Sustainable mobility: development of solutions to promote sustainable mobility (electricity and renewable gases such as biomethane and H₂).
- Fair Transition: development of projects for the conversion of power stations in the Fair Transition area. It includes energy projects such as those specified in the previous lines, and additional projects with social and environmental impact.

Innovation governance

Action plans have been developed for all the strategic lines of innovation, including guidelines and targets both in the period of the Strategic Plan and in the longer term, which contributes to the company's sustainability.

This approach also ensures that innovation activities and projects are implemented in a coherent manner, with follow-up and assessment using consistent indicators.

Renewable generation and storage

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

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

Renewable generation

The La Nava Photovoltaic Testing Ground Project was set up in the Spanish province of Ciudad Real in 2020 for the purpose of testing solar panels, trackers and other equipment, and assessing design parameters for photovoltaic solar generation facilities. Bifacial panels have been tested and comparison of the results against those of currently used panels will be commencing.

Storage

In the area of storage, work continued in 2020 on the Renewable Hybrid Generation and Storage Project at the La Vega I & II wind farms, the goal of which is to demonstrate the technical feasibility of a manageable hybrid facility that can provide multiple electrical services to the farm itself and the grid. After a few months' delay owing to lockdown, the plant was energised in the autumn of 2020.

The spring of 2020 saw the launch of a pilot project involving a start-up selected from the CleanTech Camp open innovation platform to predict possible failures on wind farms. The results show that the failure of some turbines can be predicted up to five months in advance. Testing and validation of the models will continue until the spring of 2021.

The procedure to take part in the Green Deal and to lead a European consortium to develop a floating wind farm in the Canary Islands was initiated.

Advanced management of distribution assets

The future of distribution networks

The energy transition marks a path towards a more distributed, more sustainable system with greater customer participation. This entails a new paradigm of electricity distribution based on distributed generation, electrification of demand, and the connection of electric vehicles. In this context, digitalisation is a key driver of the solutions to the challenges facing electricity distribution. The gas network also facilitates the integration of sustainable new technologies such as renewable gas.

SPIDER 2.0

SPIDER 2.0 is the most exemplary project in the field of advanced electricity network asset management undertaken in 2020. The project seeks to develop a sophisticated platform that combines information from conventional network devices and new IoT devices with meteorological, property register and traffic information to achieve advanced network operation. The aim is to develop functionalities such as the automatic operation of remote-controlled switches in the medium-voltage network, assisted manual operation for non-remote-controlled switches and disconnectors, and automatic network operation for the optimisation of technical parameters. In order to achieve this, sophisticated algorithms will be developed that combine available static and real-time information, and these will be simulated in a synthetic environment until their optimal functioning is validated and their impact on business can be evaluated.

Ris3CAT

In the field of gas networks, Ris3CAT was completed in 2020. NEDGIA participated in three of the five initiatives comprising this EU-funded project, with the involvement of another 47 partners in the Utilities 4.0 Community. The project falls within the framework of the Utilities 4.0 concept and aims to identify the digitalisation solutions that allow efficiencies to be captured and the security of the gas network to be improved. Among the technologies piloted by the project is sensorisation of the network using IoT, the generation of predictive models based on artificial intelligence and condition-based maintenance.

Renewable gas

Activities involving renewable gas focused on the development of green hydrogen and biomethane. Biomethane is a fuel that is equivalent to natural gas but is obtained from renewable resources such as biomass or organic waste and is therefore carbon neutral. Consequently, this form of energy contributes to the fight against climate change; it is part of the “circular economy” since it involves efficient waste management; and it also enables society to produce, distribute and consume locally produced gas, which contributes to the development of the local economy.

Actions to promote the use of renewable gas have focused on the production of biomethane from biogas, methanation with hydrogen addition and optimising green hydrogen production, with the creation of pilot projects to research this type of gas in order to maximise production and reduce costs.

Renewable gas mixed unit

One of the company's success stories in this field is the renewable gas mixed unit. In partnership with EnergyLab and the government-owned company operating the wastewater treatment plant in Bens (A Coruña), the unit has secured funding to continue its work in R&D&I and to start new lines of development. This new stage will complete the work done so far by the mixed unit for biogas and biomethane research, which has achieved notable results such as the commissioning of a membrane filtration plant and the first biological methanation plant in Spain at the Bens wastewater treatment facility. In addition, research will be conducted into other renewable gases such as green hydrogen and bio-syngas, which will make it possible to assess their impact on current infrastructure and on the facilities of end consumers.

“Elena” landfill site

Another success story was the construction of the biomethane upgrading plant at the “Elena” landfill site, a closed landfill site producing biogas that is located on the grounds of the emblematic Parc de L'Alba urban development in Cerdanyola del Vallès. The construction of the plant has done away with the need to flare the biogas being generated at the site and its use as a renewable gas in the gas network.

Distributed generation and storage

The publication of Royal Decree 244/2019, which regulates the new conditions for electricity autoproducers, represents an opportunity for the development of distributed generation based on photovoltaic solar energy in Spain.

The decline in the price of photovoltaic technology makes autoproduction increasingly affordable. This competitive advantage is enhanced by the possibility offered by the new Royal Decree of joint ownership of autoproduction facilities. Several projects were evaluated in 2020 to explore new business models associated with energy communities and the energy aggregation model.

Sustainable mobility

A plan began to take shape in 2020 for the roll-out of electric vehicle (EV) charging points on public roads that will allow the company to position itself as one of the leaders in sustainable mobility in Spain. The company continues to work on the nationwide roll-out of vehicular natural gas refuelling stations for public use. Naturgy pays special attention to improving the energy and economic efficiency of the actual refuelling stations, conducting several studies for the incorporation of storage technologies at both EV charging points and natural gas refuelling stations.

LNG ON Wheels ®

During 2020, Naturgy continued to develop a solution that will facilitate the supply of liquefied natural gas (LNG) through tanker trucks that connect directly to a ship or other supply infrastructure, making it possible to transport LNG to areas that were not previously accessible.

Customer solutions

Innovation makes it possible to create value for customers, by focusing on them, providing them with more sustainable solutions based on digital technologies and streamlining and transforming the relationship and communication with them.

Smart Client

The Smart Client initiative seeks to personalise customer service using technologies such as artificial intelligence (AI) and the Internet of things (IoT). During 2020, work was carried out within the framework of the Start4Big (Smart IoT Labs) open innovation initiative, where a pilot project is being conducted to enable business opportunities to be identified when processing data obtained from sensors in the home.

Smart Channel

In the area of Smart Channel technology, efforts are going in to developing new models of digital communication with customers in order to provide a greater sense of proximity and clarity in communication, as well as to be able to offer improved service. Pilot testing and implementation of Pepe, Naturgy's virtual assistant that uses AI-driven natural language processing to automate the customer service process, was finalised in 2020. This assistant helps customers navigate the company's digital channels in order to deal with queries regarding processes, products and services, in addition to providing general information about the sector that helps customers to better understand the field of energy and how to be more sustainable. In Chile, a new customer communication channel was implemented allowing customer relations to be transformed by making them closer and faster, and to learn the notions customers hold as regards the world of energy, enabling the company to offer personalised services adapted to their needs.

Other fields of action

During 2020, Naturgy and nine other leading companies participated in the Dalion project, a Spanish project that works on self-managed digital identity, through which individuals will have their data concentrated in a single digital identity and stored on their mobile device, so that they exercise control over it and decide with whom to share it at any given time when contracting services.

Innovation planning and technology monitoring

Technology Observatories

Monitoring takes place through observatories, involving over 200 people from the various business units and corporate areas. These groups have a particular collaborative nature and share and analyse information from an end-to-end perspective: technology, commercial, regulatory, social and market aspects. Insights are generated that guide the innovation activity and contribute to the evolution and transformation of the business. They facilitate the take-up of new technologies and best practices, awakening ideas and facilitating the development of new opportunities.

During 2020, Digital Technology Observatories, organised into three domains of competence (Blockchain, IoT and communications, Artificial Intelligence) were set up to complement the company's other operating groups with their cross-cutting analysis.

Think Tanks

Work was continued on the format of think tanks in order to examine trends in the energy industry and detect new business opportunities. These groups are led by New Business and Innovation with the active participation of all the businesses, in which the final positioning must be validated by the Management Committee.

The main purpose of think tanks is to define the strategic positioning of the Naturgy Group based on a decisive analysis of the information from the Digital Technology Observatories and the roadmaps that define its technological positioning.

Moreover, the Observatories held a series of sessions in 2020 called Quedatech. These sessions were open to the entire company, allowing some of the topics being monitored to be approached and disseminated in order to unlock this knowledge and make it more widely known.

Encouraging innovation

Naturgy continued to operate its two innovaHubs, in Madrid and Barcelona, which are conceived as open spaces that are freely available for innovative activities and in which forms of collaborative agile work can be explored. Face-to-face activities were held in these spaces only during the months of January and February. They were subsequently transferred to an online format from April onwards. Despite the restrictions in place owing to the pandemic, four MeetUps, five innovative knowledge pill workshops, and two Techbreakfasts were held. All of them featured a similar informal, dynamic and collaborative format, where participating companies and start-ups were able to exhibit their products, technology or services and gain first-hand knowledge of innovations for each given theme.

Through the open innovation initiatives, Naturgy maintains an open attitude to observe and identify opportunities and trends and to discover the status and development of new business models and services and how these are progressing, with the aim of finding new ideas that can meet the demands of markets and customers.

In 2020, the Data Hub (a space dedicated to promoting data-driven transformation) continued to carry out various data initiatives focusing on advanced analytics and AI, reporting and visualisation, and data management and governance, all of which took a virtual format.



We strive to be
a responsible company
where ethics and
integrity are central
to a long-lasting
business project.

Sustainability Report
and Non-Financial Information Statement
2020

04

Corporate governance

04. Corporate governance

Good governance for efficient and transparent management

Corporate governance, in constant evolution

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

The set of governance rules comprise basically:

- Articles of Association (updated in 2018).
- Regulations of the Board of Directors and its Committees (updated in 2019).
- Regulations of the General Meeting of Shareholders (updated in 2018).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2019).

The main shareholders of Naturgy as of 31 December 2020 and 2019 are as follows:

■ Stake (%)

	2020	2019
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" ⁽¹⁾	24.8	24.4
Global Infrastructure Partners III ⁽²⁾	20.6	20.3
CVC Capital Partners SICAV-FIS, S.A. ⁽³⁾	20.7	20.4
Sonatrach	4.1	4.1

⁽¹⁾ Stake through Criteria Caixa S.A.U.

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

⁽³⁾ Through Rioja Acquisition S.à.r.l.

Note: Capital Research and Management Company, which owned 3.0% of capital as of 31 December 2019, is not included on the grounds that it is floating capital as the stake occasionally rises above or falls below the 3% threshold.

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

During the Shareholders' Meeting of 26 May 2020, the Company's commitment to implement measures to promote gender diversity in the composition of the Board of Directors was made public. Accordingly, over the course of 2020, the resignation of some of the proprietary directors has enabled substantial progress to be made in terms of gender

diversity, with all vacancies being filled by women: Mrs. Isabel Estapé to fill the vacancy for Mr. Alcántara and Mrs. Lucy Chadwick to fill the vacancy for Mr. Stanley. Mrs. Helena Herrero, whose mandate had expired, was re-elected for a new term.

In 2020, the publication by the CNMV of the new Good Governance recommendations has made it necessary to make a series of amendments to the Company's policies and procedures. Specifically, the following actions have been taken:

- General reporting policy.
- Policy for the selection of Directors on aspects related to the promotion of diversity in senior management.
- Risk policy.
- Shareholder and investor communication policy.

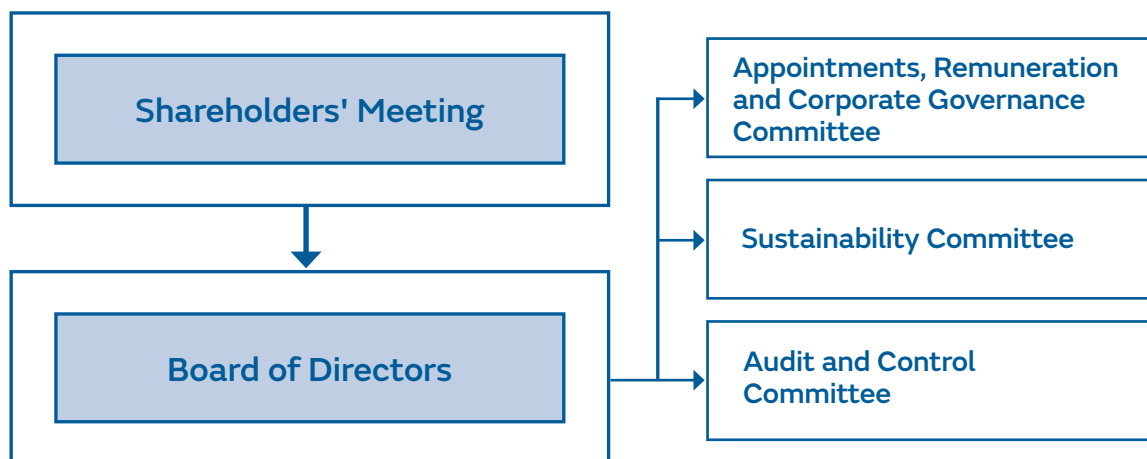
In addition, the Board Regulations were amended and the distribution of powers among the three Board Committees was reviewed.

Specifically, and with regard to the Regulations of the Board of Directors, in 2020, Articles 10, 11, 24, 25, 26 have been amended and a new Article 27 has been added to (i) adapt it to the new Good Governance recommendations of the CNMV (ii) update the name of the Board's committees and incorporate the new Sustainability Committee.

Also, in 2020, the Board of Directors proposed the modification of the Company's Articles of Association, specifically Article 6.3 to enable shareholders to attend the General Meeting using online means and Article 6.2 to adapt the powers of the Board of Directors to the prevailing legal framework.

The Board of Directors also proposed the amendment of the Regulations of the General Meeting of Shareholders, specifically Article 8 to confer a new power on the Chairman of the General Meeting, which will enable him to adopt the appropriate health prevention measures at any time to guarantee the adequate development of the event and Article 13 to regulate the basic aspects so that shareholders can attend the General Meeting online. Both proposals were approved by the General Meeting of Shareholders held on 26 May 2020.

Governing structure of Naturgy



Functions and composition of the Board of Directors

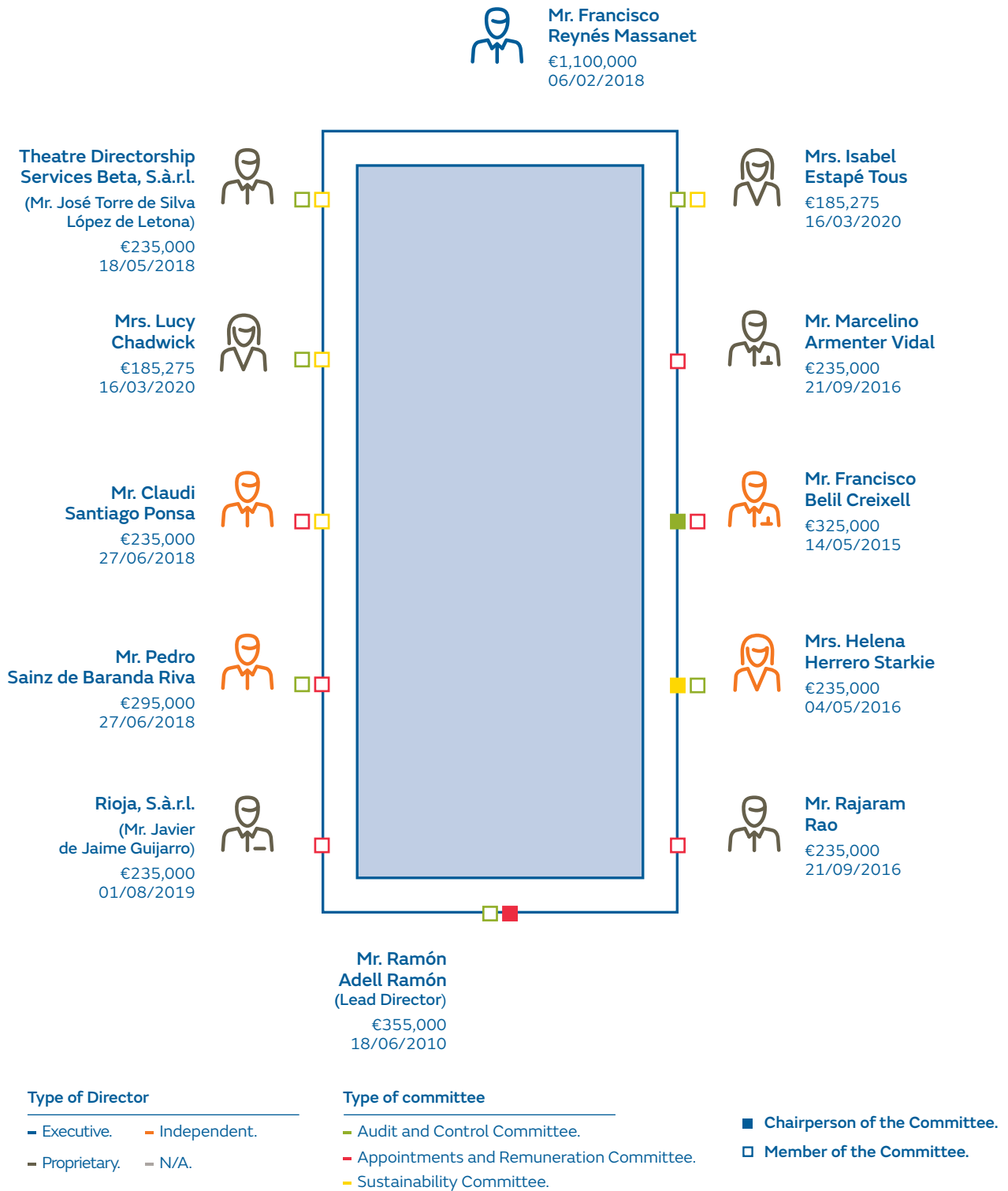
Risk prevention management and consideration of aspects tied to corporate social responsibility rank very highly on the Board of Directors' activity, and the Board is responsible for approving the corporate governance and corporate responsibility policies. Every year, through the compilation of the respective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

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

1. Non-delegable matters:
 - a. Those provided for in legislation as non-delegable.
 - b. Creation, investment and supervision of the management of personnel pension plans and any other undertakings involving personnel which imply long-term financial liabilities for the company.
 - c. The appointment and removal of senior managers who have a direct dependence on the Board or any of its members, as well as the introduction of basic conditions of their contracts, including their remuneration.
 - d. The matters subject to an enhanced majority contemplated in section 4 of Article 7 of these Regulations.
2. Matters ordinarily non-delegable, but which may be adopted by the delegated bodies or persons, for reasons of urgency duly justified and which must be ratified at the first Board of Directors session held after the take-up of the resolutions, of which the following stand out:
 - a. The approval of management targets, the annual financing plan, the investment and financing policy, the corporate social responsibility policy.
 - b. The determination of the company's corporate governance policies, of the risk control and management policy, including tax risks, and supervision of the internal reporting and control systems.
 - c. The approval of the financial reporting which, due to its status as a listed company, must be made public periodically by the company.
 - d. The approval of investments or operations of a strategic nature.



■ Composition of the Board of Directors and its Committees (at 31 December 2020)





**Mr. Francisco
Reynés Massanet**

Executive Chairman

Management structure

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

Senior Management is defined as meaning the senior managers who report directly to the **Executive Chairman, Mr. Francisco Reynés Massanet**. As of 31 December 2020, it comprises the following senior managers:

Business Units

Mr. Pedro Larrea Paguaga | Energy and Network Management Department

Mr. Jorge Barredo López | Renewables and New Business Department

Mr. Carlos Francisco Vecino Montalvo | Commercialisation Department

Corporate Units

Mr. Rafael Blesa Martínez | Information Systems Department

Mr. Steven Fernández Fernández | Capital Markets Department

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

Mr. Manuel García Cobaleda | Company and Board Secretariat

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

Mr. Enrique Tapia López | People and Organisation Department



Assessment and capacities of the Board of Directors

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




























































































































In 2020 an external process was set up to assess the operation of the Board of Directors, the Audit and Control Committee, the Appointments, Remuneration and Corporate Governance Committee and the Sustainability Committee.

The assessment exercise for 2020 has concluded that the Board and the Committees are operating with a high degree of satisfaction, although there are a number of views on the Board that require further reflection.

Diversity in the process of appointments and renewal of directors

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


Diversity and competence matrix

	Mr. Ramón Adell	Mrs. Isabel Estapé	Mr. Marcelino Armenter	Mr. Francisco Belli	Mrs. Helena Herrero	Mr. Javier de Jaime	Mr. Rajaram Rao	Mr. Francisco Reynés	Mr. Pedro Sainz de Baranda	Mr. Claudi Santiago	Mrs. Lucy Chadwick	Mr. José Antonio Torre de Silva
												
Energy global trends / strategy / technology												
Infrastructure (investments in regulated environments)												
B2C (customer experience and new services)												
Operational excellence and processes optimisation												
Regulators / other public stakeholders relations												
International experience												
Top management experience												
Accounting / Audit / Risk management												
Corporate finance												
Industrial and Energy technologies (Industrial Tech)												
Industrial and Energy technologies (Information Tech)												
Talent Management and Remuneration												
Corporate Governance and Sustainability (ESG)												

Type of Director

 Executive.
  Independent.
  Proprietary.

Experience

 Professional executive experience.
 Experience as Director or indirect executive experience.

In its policy for the selection of Directors, the company expressly indicates that the Appointments and Remuneration Committee will ensure that the selection procedures do not suffer from implicit biases that could imply any discrimination, and after the modification made in November 2020 to this policy, the need to introduce measures that promote the appointment of a significant number of female senior managers has been incorporated.

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

■ Breakdown of the Board of Directors by age (%)

	2020	2019
Under 55 years of age (%)	25	10
Between the ages of 55 and 60 years (%)	25	30
Over 60 years of age (%)	50	60
Total (%)	100	100

Remunerative model of the Board of Directors

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

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

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

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

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

In the 2020 Ordinary General Meeting of Shareholders, the Annual Report on Remuneration of Board Members for 2019 was approved by a majority vote, as follows:

Number of shares that have cast valid votes	719,430,449
Total number of valid votes cast	719,430,449
Proportion of the share capital represented by valid votes	73.10
Votes in favour	647,581,762
Votes against	71,625,906
Abstentions	222,781
Quorum of attendance at the General Meeting of Shareholders	75.46



Issues dealt with at the General Meeting of Shareholders

The quorum of attendance at the Meeting represented 75.46% of all shares in Naturgy.

Issue	Nature of the issue (economic, social or environmental)	Conclusions drawn
Approval of the Annual Accounts and the Directors' Report of Naturgy Energy Group, S.A.; the Consolidated Annual Accounts and the Directors' Report of the Consolidated Group for the financial year that closed on 31 December 2019.	Economic	Approved by a majority
Approval of the allocation of profits for the year that closed on 31 December 2019.	Economic	Approved by a majority
Approval of the Consolidated Non-Financial Information Statement of Naturgy Energy Group, S.A.	Economic/Social/ Environmental	Approved by a majority
Transfer to the "Voluntary Reserve" account.	Economic/Social	Approved by a majority
Approval of management performed by the Board of Directors in 2019.	Economic/Social	Approved by a majority
Re-election, ratification and, where applicable, appointment of members of the Board of Directors.	Economic/Social	Approved by a majority
Approval of a capital reduction through the cancellation of own shares under the share buy-back programme.	Economic/Social	Approved by a majority
Approval of the Director Remuneration Policy for 2020-2022.	Economic	Approved by a majority
Consultative vote concerning the Annual Report on remuneration of members of the Board of Directors.	Economic	Approved by a majority
Authorisation to reduce the period for calling Extraordinary General Meetings, in accordance with Article 515 of the Corporate Enterprises Act.	Social	Approved by a majority
Approval of the amendments to the Articles of Association.	Social	Approved by a majority
Approval of the amendments of the General Meeting of Shareholders Regulations.	Social	Approved by a majority
Information about the amendments of the Regulations for the organisation and functioning of the Board of Directors of Naturgy Energy Group, S.A. and its Committees.	Economic/Social	Approved by a majority



We are working
on developing
new, more
sustainable and
socially responsible
products.

Sustainability Report
and Non-Financial Information Statement
2020

05

Risks and opportunities

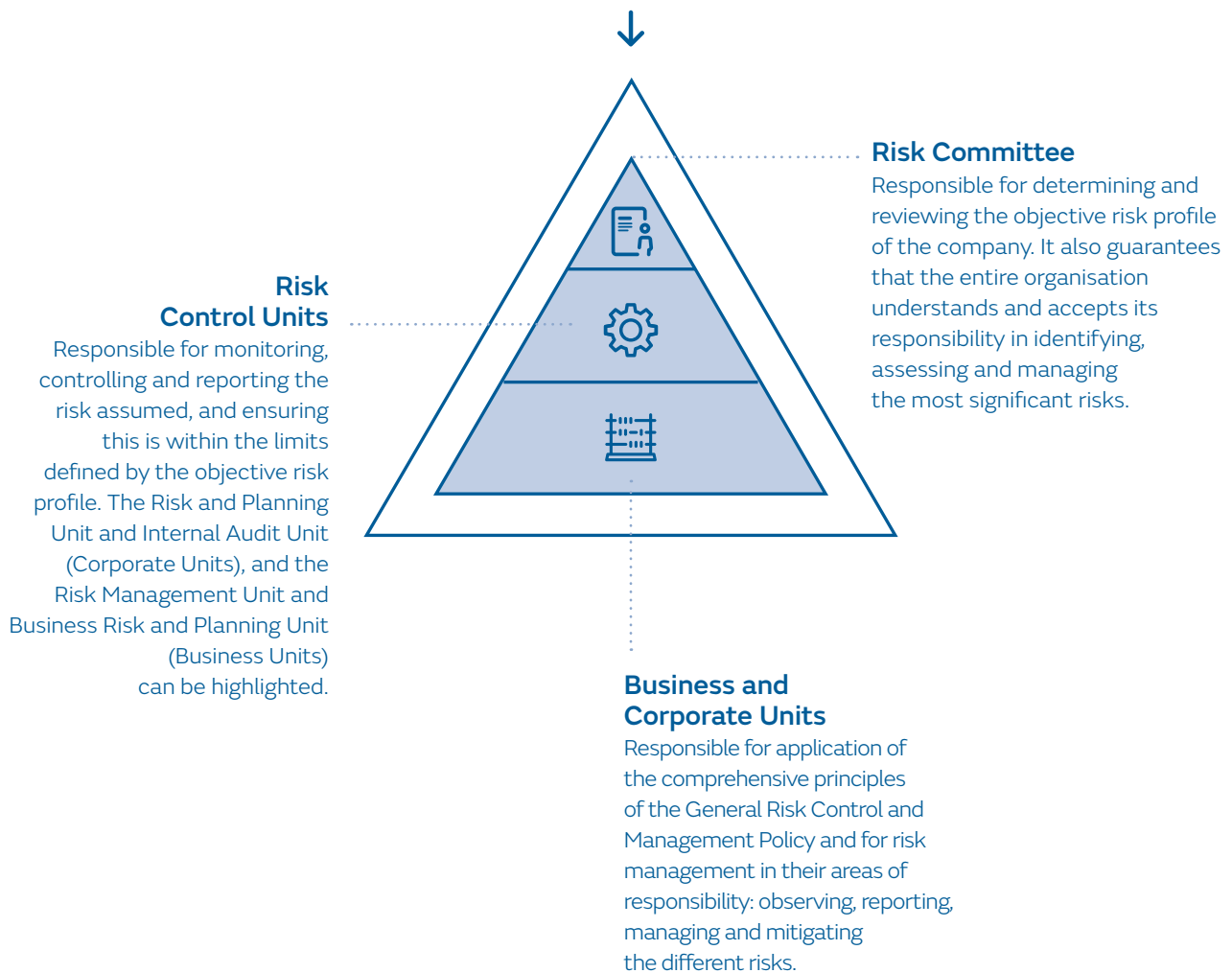
05. Risks and opportunities

Risk management at Naturgy

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

Audit and Control Committee

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



A model that anticipates the developing situation

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

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

An integrated management

Naturgy analyses its global risk profile through its potential impact on its financial statements. This allows the company to determine the maximum accepted level of risk exposure, as well as the admissible limit for risk management. The tools that enable the continuous improvement of the process for identifying, characterising and determining Naturgy's risk profile are the following:



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

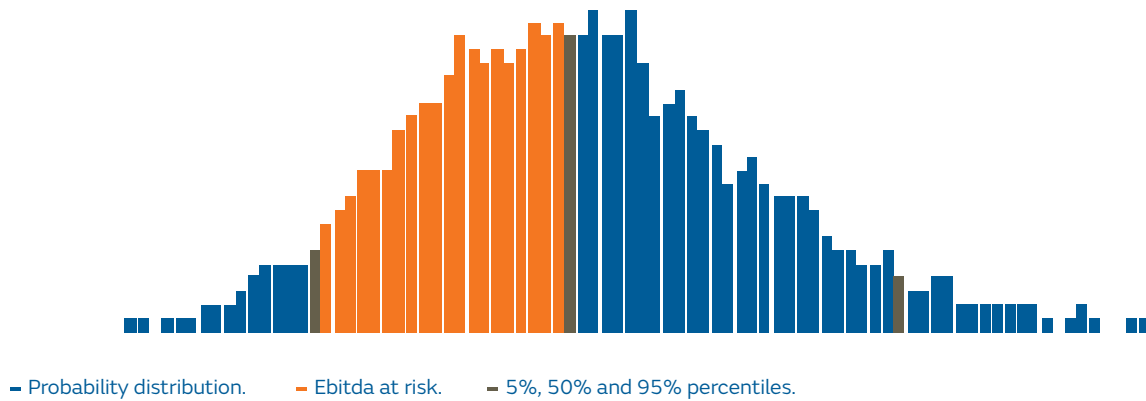
Main risks

Description of main risks

The Risk Control Units seek to guarantee the regularity and sustainability of the performance indicators. One of its key tasks is the modelling of the financial statements, targeted at identifying their main sensitivities and anticipating possible incidents. Quantitative modelling is organised in accordance with the areas of market risk, credit risk and operational risk.

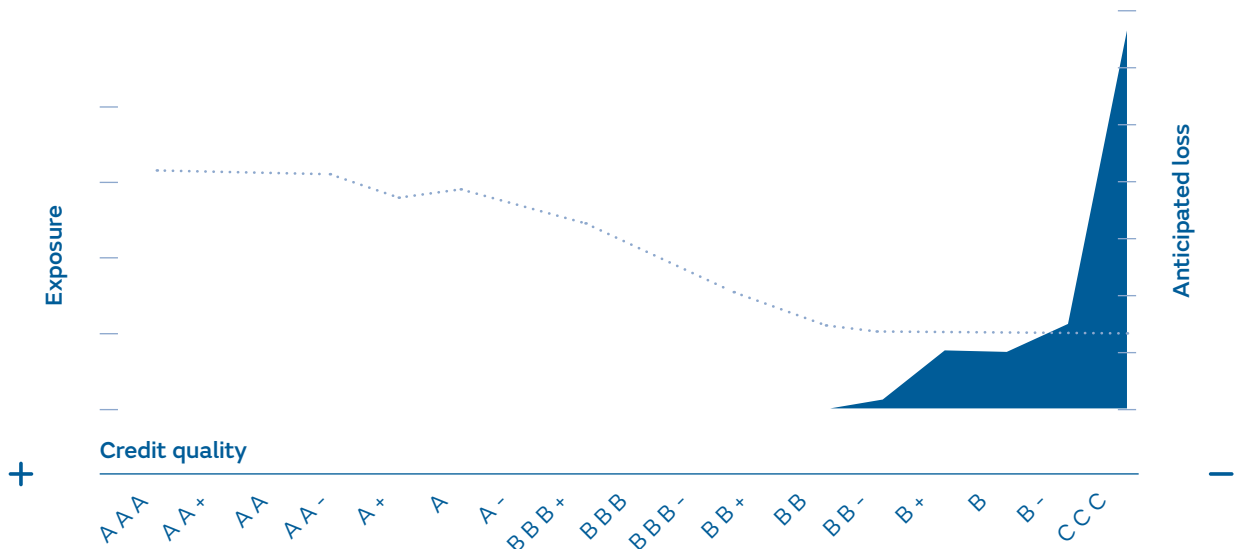
Market risk

Range of values that the annual Ebitda of Naturgy can reach owing to the movement of market variables to which it is exposed: price of gas, price of electricity and exchange rates.



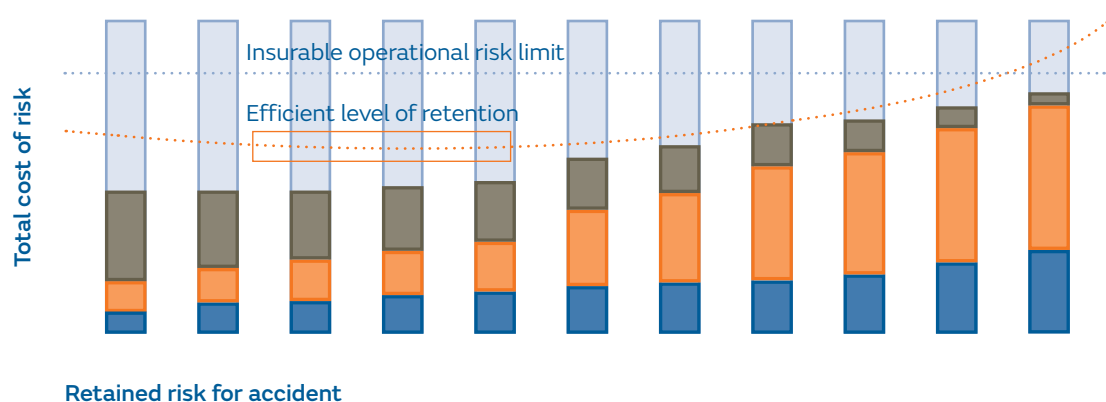
Credit risk

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



Insurable operational risk

Fundamental magnitudes with regard to management: efficient level of retention and breakdown of overall costs associated with the risk (premium, unexpected loss, expected loss). The insurable operational risk profile is characterised by the level of potential exposure whereby the materialisation of unforeseen events that can be mitigated through insurance policies has an impact on the equity of Naturgy. The quantification of such exposure is likely to be objectified by estimating the total cost of risk.



Description of emerging risks

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

The identified emerging risks that continued to be particularly significant for the company in 2020 were:

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



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

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

- Increasing attention to the effects of climate change and other anthropogenic environmental impacts, especially given the large number of extreme weather events that have occurred recently.
- Change in the profile of the global investor (gender, age, interest in ESG factors, etc.).

Potential impact on business if not managed properly:

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

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

Mitigation actions carried out by Naturgy:

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



Cybersecurity risk or digital information security

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

Potential impact on business if not managed properly:

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

Mitigation actions carried out by Naturgy: see the Cybersecurity Plan in the section on Integrity and Transparency.

Main opportunities

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

- **A balanced structural position in businesses and geographical areas**, with stable flows, and predominance of regulated or quasi-regulated businesses, making it possible to optimise the capture of energy demand growth and maximise new business opportunities in new markets.
- **Renewable generation**: increase renewable capacity internationally, given that renewable energies are cost-competitive and considering Naturgy's presence in growth markets.
- **Network operation and growth**, leveraged on solid regulatory frameworks and focused on continuous improvement, digitalisation and automation.
- **Technological development and innovation**: Naturgy is committed to innovation and development projects related to hydrogen, renewable gas, energy efficiency, sustainability, mobility and fair transition, as a means of generating a reliable and sustainable energy supply.
- **Portfolio of natural gas and LNG procurement**: the management of gas pipelines, participation in plants and the fleet of methane tankers enable the needs of the group's different businesses to be covered in a flexible and diversified manner, ensuring supply and allowing to take advantage of any market opportunities that may arise. Naturgy is one of the world's leading LNG operators and a key player in the Atlantic and Mediterranean.



We are committed
to giving our all
and delivering
an excellent result.

06

Service excellence

Naturgy's contribution to SDG



06. Service excellence



What does this mean for Naturgy? Risks and management approach

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

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

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

Loss of service quality, for example as a result of poor network maintenance, can lead to increased supply cuts, efficiency losses, resulting in financial penalties by the regulator and increased complaints and claims by consumers, while at the same time it can worsen the company's image and reputation in the eyes of society.



What is our commitment?

- Working towards ongoing improvement of safety, ease and competitiveness of all products and services, offering the highest possible level of quality in accordance with the best available techniques.
- 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 different value proposition through products and services that adapt to each segment and to their needs.
- Applying technological innovation and the technical enhancements available as a means of maintaining an efficient, safe and sustainable supply.



Evolution and results 2020

■ Global satisfaction with service quality (on a scale of 0-10)

	2020	2019
Spain (domestic)	7.46	7.24
Spain (SME)	7.51	7.09
Spain (wholesale)	7.76	7.54
Argentina ⁽²⁾	-	-
Brazil	8.53	8.6
Chile (electricity) ⁽¹⁾	5.68	5.68
Chile (gas) ⁽¹⁾	5.97	5.92
Mexico	7.23	8.52
Panama ⁽²⁾	7.25	-

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

⁽²⁾ Argentina and Panama have not measured global satisfaction with service quality during 2019. Data for Argentina in 2020 is not available at the date of publication of this report.

1. Customer at the centre of all decisions

2020 has been marked by the health and economic crisis and by a complex international energy scenario. Since the beginning of the crisis, Naturgy has spearheaded measures to provide service to all its audiences with the aim of mitigating the impact of the pandemic on domestic economies and contributing to the management of this health crisis.

During the first nine months of the year, Naturgy has strengthened the management of its business portfolio and has promoted changes in the organisation to continue with the transformation of the company. It has become a simpler and more efficient company in its organisation.

Naturgy is currently working on the definition of key corporate energy projects, with which it seeks to contribute to spearheading the energy transition with a distinguishing value proposal.

2. Quality and reliability of the service

For Naturgy, the maintenance of gas and electricity facilities and networks is essential to achieve a satisfactory level of quality, safety and reliability of service, allowing it to meet the most demanding industry standards and regulatory requirements of the countries in which it operates.

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

A set of inspection and assessment actions are carried out, which help to define the corresponding preventive and mitigation measures to ensure a safe and ongoing supply, maximising the useful life of assets. These measures are included in the maintenance plan for each type of facility.

The preventive maintenance actions and processes —reviewed periodically— coupled with the increase in automation and digitalisation of the network are reflected in a notable improvement in recent years of the main quality and service indicators. These indicators measure, inter alia, response times to a notification of a malfunction or anomaly, the stoppage time per customer or installed capacity, the kilometres of the grid and facilities inspected, and the number of incidents per kilometre of grid. These indicators include the average response time for top priority emergencies in the gas network, which is less than half an hour.

To ensure that supply meets demand, Naturgy regularly reviews the operating conditions of its networks, to make sure these are correctly sized or, if appropriate, to determine the potential needs of repowering or enlarging these. Furthermore, Naturgy partakes in several R&D&I projects for storage of energy in batteries, the digitalisation of the grid, the application of drones in the maintenance of facilities and the implementation of advanced analytical models in order to define the actions that encompass the predictive maintenance tasks of the main grid equipment.

3. Products and services adapted to customers' requirements and priorities

The ease of access to information makes customers increasingly demanding on companies. In addition, their preferences evolve faster, in line with trends and social movements. Aware of this, Naturgy's commercial strategy focuses on monitoring, identifying and satisfying the main needs of customers, responding to their expectations with simple and innovative value proposals, with approaches that clearly set the company apart.

In recent years Naturgy's strategy has focused on helping to solve the home-related needs of customers. New value-added proposals based on simplicity and digitalisation with the aim of providing them with a simpler and more comprehensive experience.

To this end, Naturgy has promoted specific market research plans and has developed tools designed to find out the customer's needs and priorities, in order to adapt the products and services to their expectations. All this, through incorporation of those customer-relevant attributes, refocusing the way to market products already on the market or by incorporating new ones.

The New Products and Services Unit is committed to promoting Naturgy's value proposal to achieve a better society in the future. Its purpose is to introduce new business models to adapt them to the new energy situation.

In this line, the value axes are as follows:

1. Development of new green, sustainable and socially responsible products.
2. Transformation through technology and innovation.
3. Pioneering new, simple and scalable ideas.

The vision is to be leaders and to actively participate in the energy transition, offering a portfolio of products and services for the residential and business segment for major impact on customers.

Investing in the development of digital and environmentally friendly products (100% renewable electricity and zero net emission gas). Products that are simple for the customer and that allow them to choose what best suits their needs (fixed price per kWh, with and without hourly discrimination or fixed monthly rate).

In services and equipment, the company retains its unswerving commitment to continuing to be by the customer's side in their moments of need, with an undertaking to provide assistance in less than 3 hours anywhere in the territory, 24 hours a day, 365 days a year.

Naturgy continues to work on innovative solutions linked to the energy transition, such as self-consumption and electric vehicle recharging. Likewise, on the household front it continues to help improve comfort and savings with solutions such as the renovation of equipment in the home, including financing options, warranty extension and maintenance.

As far as businesses are concerned, Naturgy continues to drive their growth and development by being the partner that takes care of the planning and installation, as well as optimal maintenance during the entire contract: financing the whole project, offering the most appropriate maintenance plan to obtain the maximum efficiency of the business, total guarantee of the installation, service availability 24 hours a day, 365 days a year, digital platform for the management of consumption and renewal of the installation, etc.

In short, the ultimate goal of all these initiatives is to achieve customer satisfaction with simple deals and models in which the Naturgy brand is always associated with green energy and service in accordance with the values of a socially responsible company.



Innovative products and services

Equipment Model	A solution that includes the sale and installation of equipment with an extended five-year manufacturer's warranty in addition to a Naturgy maintenance service, without the need to contract the energy with Naturgy.
Ecoeasy	Energy product (electricity and gas) designed for those digital customers, mainly young people concerned about the environment who are offered 100% renewable electricity and environmentally friendly natural gas, since it neutralises its impact with CERs -certified by AENOR-. This is the most competitive rate without additional discounts.
EasyGo Services	Home repair service targeted at customers and non-customers without the need to contract annual maintenance. It is a pay-per-use model with the same features as the rest of Naturgy's exclusive services.
Eco Gas Tariff	Since 2017 Naturgy has had an ECO gas tariff, with a stable kWh price for one year, for those customers with a greater sensitivity in environmental matters.
Superpack Home	Pack of energy supplies + maintenance services + repair of household equipment. Configurable based on the customers' needs.
Servielectric Car	Comprehensive and personalised electric mobility solution that allows customer to enjoy their electric vehicle charging point.
Solution for photovoltaic installation in homes and businesses	Comprehensive offer to encourage the installation of solar panels (includes flexible nightly tariff, preventive maintenance and financing).
Solution for installation of equipment in homes	Comprehensive offer for the installation of boilers (includes warranty extension, preventive maintenance and financing).
SMEs	
Special Plan	New electricity and gas supply adapted to SMEs with consumption > 100,000 kWh. Creation of a new sales team of Naturgy's own managers to advise and attract small and medium sized consumers with consumption of > 100,000 kWh.
Superpack SMEs	Pack of energy supplies + maintenance services + repair of business equipment. Customisable based on the customers' needs.
Wholesale	
Loyalty Services	Several energy services related to installation management, supply, sustainability or carbon management for customer loyalty. This includes: execution and commissioning of the installation, maintenance services, capacitor bank, real-time monitoring services, energy efficiency and savings courses, CO ₂ management.
Gas and electricity coverage	Transactions agreed directly with the customer and which are settled by differences. These enable the price to be set beforehand, removing uncertainties.
Smart solution	
Gascomfort	Gascomfort is a production plant optimisation service through the renewal of equipment, or the transformation of the room and comprehensive management throughout the life of the contract. Equipment financing service, maintenance, 24/7 customer service.

Continues >

Climatecomfort	Electric air conditioning service, which allows the customer to renew their old air conditioning equipment with the best systems on the market. Equipment financing service, maintenance, 24/7 customer service.
Distribution solutions	Gas & distribution (gas commercialisation and hot water cost sharing service of the owners' association without room management). The delivery service includes supply of equipment, reading, reports and replacement insurance in case of malfunction.
LNG option	Service that enables natural gas to be taken to customers that are some distance from this fuel distribution network. It includes LNG supply, transport and logistics.
Servisolar	Integral service of photovoltaic self-consumption, from design and installation to maintenance and management of the surplus.
Equipment solutions	Financing service that allows the customer to equip themselves with technological equipment to improve the efficiency of their facilities.

4. Customer service

Naturgy operates with a service model focused on the needs of each and every one of its customers. It offers solutions designed with comfort and ease in mind.

The company offers close-knit customer service covering the full range of channels that the customer may need: telephone service, email, social media or face-to-face attention. It also places great focus on offering digital customer service, with an area reserved for customers.

In 2020 Naturgy has worked in two areas: the ease and simplicity of management - seeking improvements in processes and solutions - and the promotion of self-management and digitalisation of its customers. To this end, it continues to develop and improve digital tools and promote the use of digital communications that have a positive influence on the environment. In a complex year marked by the COVID-19 pandemic, service provision has been expeditiously transformed to continue to be provided safely to the customer.

■ Naturgy customer service model



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.

■ Customer service means



Telephone channel • Digital channel • Face-to-face channel • personal manager • Face-to-face channel • Stores • Guarantee office

5. Customer's satisfaction and experience

As an evolution of the Customer eXperience (CeX) programme that started in 2015, Naturgy has placed the customer at the centre of its industrial model, as a key factor in the company's sustainability, in order to meet their expectations and anticipate their needs. In accordance with the Corporate Responsibility Policy and the commitment to service excellence, the CeX vision is set out in the following principles for the group:

- "Customers are at the centre of everything we do."
- "We treat our customers the way we would like to be treated."
- "We like to innovate to make everyday life easier for our customers."

During 2020, the Naturgy Group made progress in consolidating the Global Customer Experience Policy through different actions:

- **Development and launch of the Corporate Application Form.** Specialised computer application for reporting, which allows qualitative and quantitative data to be collected and consistency checks to be added to the data provided. It also provides a data repository for stakeholder consultation and facilitates subsequent reporting. This tool was launched in 2020 and has already led to progress of countries/businesses in CeX during 2020. This will strengthen monitoring of the Customer Experience Policy, which will become a half-yearly policy in 2021, thus ensuring more solid compliance.
- **Consolidation of a new customer relationship model.** The model integrates automatic push notifications, so that the customer always knows where they are, what is still outstanding, and how to do what they need to do. Visual, easy, specific, two-way and pocket-sized. In June 2020, the new relationship model for gas registrations took second place in the Customer Experience Development Association (DEC) 2020 Awards in the Customer Journey category.
- **Launch of the CeX Community in Naturgy Teams.** This community facilitates permanent contact of all the people in the group who work directly on the customer experience. They can thus share best practices, news and/or events of interest, and can resolve issues or compare solutions offering previous experience on the subject.

6. Customer complaint management

The company manages claims and complaints from three different areas: commercialisation (residential, commercial and industrial) and gas and electricity distribution in Spain, Chile, Brazil, Argentina, Panama and Mexico. In the rest of the countries where the company is present, no complaints are handled as there are no end customers.

In 2020, the company managed a total volume of 1,404,644 complaints and claims, representing 2.22% of all customer contacts. The average global response time was 9.76 days.

In Spain, customers have multiple service channels through which they can voice their complaints to the marketers (telephone, centres, web, social media). In the event of complaints involving distributors because they are related to their area of responsibility (readings, quality of supply, new registrations, etc.), both for gas and electricity, the marketers channel them through the Third Party Access Unit (TPA). Most claims are related to billing, contracting and collection.

In the remaining countries, different channels are also set up for customers to file their complaints, although the commercialisation and distribution management are integrated into the same company.

The organisation not only serves end customers, but also any natural or legal person who may have a claim or complaint about action or inaction caused by our distribution assets (works in progress, technical elements on public roads, etc.).

	2020	2019
Number of complaints received	1,404,644	1,642,935
Claims portfolio	46,674	n/a
% complaints / total contacts	2.22%	3%
Average response time (days)	9.76	8.21

Indicator	Spain Gas Distrib.	Spain Elec. Distrib.	Spain Energy Wholesale	Spain Retail (Domestic and SME)	Argentina	Brazil	Chile Gas	Chile Electricity	Mexico	Panama
Total complaints received in the year	261,121	128,444	6,992	569,165	26,433	68,681	13,663	161,108	121,193	47,844
No. of complaints received / No. of contacts (%)	5.30	14.30	11.40	4.27	0.46	4.70	2.27	0.53	2.32	8.00
No. of claims in portfolio	9,276	8,259	737	20,547	1,532	302	142	4,367	1,022	490
Average Time to Resolve MTTR (days)	12.00	10.00	21.31	8.70	13.48	4.26	4.30	17.20	2.17	9.40
Average Portfolio Age AMC (days)	13.00	16.00	68.00	28.00	14.06	43.00	4.00	17.20	4.79	11.57

The following shows the customer disconnections, by business and country, due to non-payment of supply.

■ **Disconnected customers due to non-payment classified by the total duration between disconnection for non-payment and payment of debt. Spain**

			2020	2019
Argentina	Gas business	Fewer than 48 hours	12,841	42,217
		Between 48 hours and 1 week	13,181	22,112
		Between 1 week and 1 month	6,846	11,925
		Between 1 month and 1 year	5,973	17,709
		Over 1 year	1,890	1,003
	Electricity business ⁽¹⁾	Fewer than 48 hours		
		Between 48 hours and 1 week		
		Between 1 week and 1 month		
		Between 1 month and 1 year		
		Over 1 year		
Brazil	Gas business ⁽²⁾	Fewer than 48 hours	0	66,534
		Between 48 hours and 1 week	0	36,432
		Between 1 week and 1 month	0	15,557
		Between 1 month and 1 year	0	2,057
		Over 1 year	0	-
Chile	Gas business	Fewer than 48 hours		
		Between 48 hours and 1 week		
		Between 1 week and 1 month		
		Between 1 month and 1 year		
		Over 1 year		
	Electricity business	Fewer than 48 hours	87,329	458,578
		Between 48 hours and 1 week	17,618	85,543
		Between 1 week and 1 month	30,014	129,927
		Between 1 month and 1 year	37,987	84,927
		Over 1 year	6,361	502

⁽¹⁾ No information is provided as the systems do not allow it to be obtained.

⁽²⁾ There were no supply cuts in Brazil during 2020 due to government regulations resulting from COVID-19.

Continues >

			2020	2019
Spain	Gas business	Fewer than 48 hours	1,032	901
		Between 48 hours and 1 week	234	304
		Between 1 week and 1 month	201	464
		Between 1 month and 1 year	332	348
		Over 1 year	78	11
	Electricity business	Fewer than 48 hours	11,786	18,389
		Between 48 hours and 1 week	785	2,192
		Between 1 week and 1 month	982	3,422
		Between 1 month and 1 year	354	2,663
		Over 1 year	0	-
Mexico	Gas business ⁽¹⁾	Fewer than 48 hours		
		Between 48 hours and 1 week		
		Between 1 week and 1 month		
		Between 1 month and 1 year		
		Over 1 year		
Panama	Electricity business ⁽²⁾	Fewer than 48 hours		33,938
		Between 48 hours and 1 week		5,140
		Between 1 week and 1 month		5,585
		Between 1 month and 1 year		6,121
		Over 1 year		-

⁽¹⁾ No information is provided as the systems do not allow it to be obtained.

⁽²⁾ Data for Panama in 2020 is not available at the date of publication of this report.



■ Customers disconnected due to non-payment classified by the total duration between debt payment and reconnection

			2020	2019
Argentina	Gas business	Fewer than 24 hours	37,822	13,869
		Between 24 hours and 1 week	9,258	80,968
		Over 1 week	183	129
	Electricity business ⁽¹⁾	Fewer than 24 hours		
		Between 24 hours and 1 week		
		Over 1 week		
Brazil	Gas business ⁽²⁾	Fewer than 24 hours	0	83,160
		Between 24 hours and 1 week	0	37,420
		Over 1 week	0	11,925
Chile	Gas business	Fewer than 24 hours		
		Between 24 hours and 1 week		
		Over 1 week		
	Electricity business	Fewer than 24 hours	92	690,927
		Between 24 hours and 1 week	8	66,651
		Over 1 week	0	1,898
Spain	Gas business	Fewer than 24 hours	247	292
		Between 24 hours and 1 week	1,430	1,435
		Over 1 week	200	337
	Electricity business	Fewer than 24 hours	13,185	25,160
		Between 24 hours and 1 week	651	1,424
		Over 1 week	71	82
Mexico	Gas business	Fewer than 24 hours	153,870	168,914
		Between 24 hours and 1 week	19,664	45,708
		Over 1 week	280	1,085
Panama	Electricity business ⁽³⁾	Fewer than 24 hours		12,544
		Between 24 hours and 1 week		36,491
		Over 1 week		1,749

⁽¹⁾ No information is provided as the systems do not allow it to be obtained.

⁽²⁾ There were no supply cuts in Brazil during 2020 due to government regulations resulting from COVID-19.

⁽³⁾ Data for Panama in 2020 is not available at the date of publication of this report.

CeX Action Plan

Spain (commercialisation)

- Customer Journey: improve the customer experience by exploiting and extracting customer data from their feedback (surveys, social media posting) and their voice (speech analytics, text analytics) to reconstruct and adjust trips. Journeys worked this year:
 - Easy Reading: to make the customer journey more understandable for easier reading, accompanying and guidance (performing different pilots depending on the estimation frequency) and giving feedback when it facilitates reading. Also offering the customer new channels for the journey.
 - Contact by phone: review of the contact's journey by phone with the following objectives: Simplifying and unifying existing telephone numbers. Guiding and accompanying customers in the calls they make. Initiating a service protocol for customers passed from one operator to another. Transferring calls instead of providing a telephone number. Improving support in connections and telephone number search.
- Easy home Campaigns: deferral and financing of the payment of invoices issued during the COVID-19 state of emergency.
- Medical video call assistance at no extra cost for Naturgy customers. The medical assistance service has been set up without the need to leave home.
- Easy SMEs Campaigns: deferral and financing of the payment of invoices issued during the COVID-19 state of emergency.

Spain (gas distribution)

- Deployment to customers with LPG supply of push notifications during the process of Gas Registration, keeping the customer informed of the steps taken and the next steps to be performed.
- Implementation of the first phase of the new Private Area of the web channel as part of the initiative of digitalisation of the customer relationship: Request and management of the budget for grid connection infrastructure, with customer support throughout the process until the supply CUPS is available.
- Claims Improvement Project with definition of a new management model. Pilot project on "Non-compliance with visit schedule" type, shortening the average time for resolving complaints from 12.2 days to 1.5.

Spain (electricity distribution)

- Implementation of the second phase of the new Private Area in the Digital Services Platform user relationship digitalisation initiative.
- Implementation of ININ (new Contact Centre tool) that will enable us:
 - To work on improving the RCF and NPS and deepening quality audits.
 - Service in English.
 - Simultaneous telephone and email service.

- Development of the claim's management model:
 - Extension of the standard response catalogue.
 - Implementation of a new claims root cause tree.
 - Robotics and automatic closing of service requests.
 - Usability improvements to the service request management tool.

Chile electricity

- CeX training certification for call centre senior managers. Because of the pandemic, no office or back office senior managers certifications took place.
- Text analytics on customer letters. Due to the pandemic, it was not possible to continue the benchmarking work with the industry.

Chile gas

- Listening to the customer's voice: measuring the degree of customer recommendation and satisfaction on their main journeys with the company.
- Customer-focused round tables: managing round tables that generate and execute action plans based on the results of measurements.
- Customer Experience Values: to reinforce the key Customer Experience values within the company, continuing the Congratulations Programme, aimed at the collaborator with the purpose of recognising and highlighting the CeX principles, publishing "Customer Minute", in which a real case and its solution will be shown by applying the CeX values, spreading the CeX principles by means of visual aids in tables and meeting rooms and implementing "WikiCex" (web platform with all the relevant information of the CeX programme).
- Clear communication to be closer to the customer: to guide the company in its communications with customers so that they are better perceived, through a workshop based on the "Clear Communication Guide" document, with a focus on the participation of employees in written contact with customers.
- We are all Ambassadors: deliver 4 necessary tools to all company employees, so that each can be an ambassador of the brand.
- Always available for the customer: expand and facilitate remote means of contact with the customer, so as to be always available, by providing the customer with remote channels for activities that today are only available at the business outlets, incorporating remote assistance into the scheduling on the web and implementing a digital mailbox on the website.
- New Customer Journeys: review and make any necessary modifications to customer journeys, based on the customer's voice.

Brazil

- Development of new functionalities for the customer on the Minha Naturgy portal, such as 1) invoice consultation, 2) debt information, 3) gas contracting, 4) change of owner, 5) debt fractioning.
- Due to the pandemic, we have closed all the stores. For the reopening we have put in place a safety plan with specific COVID-19 protocols.
- We have reviewed the customer journey in the process of changing tariffs and made changes to improve the customer experience.
- We have intensified campaigns on digital channels in social networks, gas bills, sending e-publicity to guide customers to our channel.
- We have developed quick surveys through the Survey Monkey platform with the aim of gauging customer satisfaction in specific channels and processes and the results have been used to produce action plans.

Argentina

- Development and implementation of the New Customer Service model, based on redirecting contacts to virtual channels and those that facilitate interaction with the customer.
- Development of an alliance with the MercadoPago virtual payment platform, to expand and provide our customers with more alternatives and facilities for bill payment.

Panama

- Due to the COVID-19 pandemic, customer service centres were closed for 6 months. As of September, the reopening was partial and with limited access, later suspended by the Ministry of Health.
- Due to the COVID-19 pandemic external fairs were suspended.
- When the on-site service centres were closed, the service was provided through digital channels and a series of virtual training sessions were developed with the customer service agents, through the Teams platform.

Mexico

- Transformation Lever: Digital Services Platform with the aim of bringing solutions to customers and being part of their lives. We continued with the process of transforming the customer service model, consolidating the 100% outsourcing of payment channels (banks, shops, supermarkets) and migrated to online channels. The launch of the Naturgy Contigo app (Naturgy With You) for bill payment was consolidated. This has offered customers an online payment option during the COVID-19 pandemic lockdown and has been rapidly adopted by customers. We have over 240,000 customers registered on the Naturgy Contigo app (Naturgy With You) and it has become the second most used payment channel after Oxxo. The second phase of the recently launched Naturgy Contigo app (Naturgy With You) features new service functionalities: 1. Direct debits 2. Consumption simulation for future periods 3. Itemise invoice 4. Payment history, etc.

- Customer Experience Centres: in 2020, the CeX customer journey project with face-to-face service was implemented to develop the configuration and design of the Customer Experience Centres, to ensure that these spaces are not only focused on customer service, but also that the company positions its brand and shows the diverse businesses and services it offers.
- Digital Customer Service: a digital project was implemented with two main objectives:
 - New Service Platforms: Social Networks, Virtual Office and Chat were three of the digital customer service channels that were migrated to the new service platforms, offering customer service agents a comprehensive view of all previous contacts with customers.
 - New Naturgy Mexico Website and Customer Service Chat: all contents were reconfigured to make communication with customers simpler, friendlier and more modern, incorporating a new customer service channel through the Chat.
- Hospital support campaigns: Naturgy Mexico, aware of the crucial role played by hospitals, suspended charges for the supply of natural gas and offered free consumption from May to June 2020 to about 50 public and private hospitals. This was well appreciated and welcomed by customers who wrote letters of thanks to the Chairman and Country Manager of Naturgy Mexico for this social initiative.
- Listening to customers: the service of an integral communication agency was implemented, which basically carries out 3 activities:
 - Development of content for communication to customers on social networks.
 - Systematic campaign of digital listings of customers and the whole environment.
 - Development of digital marketing campaigns.

7. Communication, transparency and customer protection

New channels of communication

Naturgy has simplified its digital commitment by offering a new website entry point focused on the customer experience.

In 2020, Naturgy's online business in Spain increased its digital sales by 65%, with 32,579 new contracts for electricity, gas and value-added services. Likewise, digital sales channels for collaborators and installers have been consolidated -more than 80,000 contracts have been provided digitally online in paperless format-, and the experience and digital simplicity has been integrated into face-to-face sales channels -being able to contract any rate based on the data of the postal address and without requiring more complex data from the customer-.

The commitment to digital simplicity has allowed the customer to request an urgent repair within three hours from www.naturgy.es (EasyGo) or to configure and request a heating, air conditioning and/or boiler offer entirely online.

Of particular note during this year marked by the pandemic is the consolidation of the online bill, which experienced growth between March and May due to the lockdown predicament. Similarly, the increase in digital channels, the

availability of services such as medical care by video for customers -available from the app and the website-, and aid for affected groups, SMEs and the self-employed, stand out. Consequently, online access has increased by 50% and the number of contracts registered in the customer area has risen from 1,267,085 in 2019 to 1,706,569 customers in 2020.

In addition, it should be noted that www.naturgy.es has registered more than 10 million unique hits during 2020, www.comercializadoraregulada.es more than 2 million unique hits and 3.5 million hits to apps. With regard to online services, a total of 7 million customers have used the digital platforms enabled by the company.

With regard to social media, more than 160,000 fans/followers on Facebook, Twitter, Instagram and LinkedIn. In total, more than 85,000 online applications have been handled during this period.

Since May 2020, access for customers with contracts in the regulated marketer is entirely through www.comercializadoraregulada.es, with a mobile app available to consult their bills and contracts, available on iOS and Android.

The bill as a channel of communication

Relevant messages have been sent to customers through the invoice with different commercial and informative purposes:

- Focus on the move to e-billing because of the environmental benefits it brings.
- Dissemination work on energy efficiency measures.
- Information on different commercial promotions that add value to the customer experience.

In addition, different customer focus groups have taken place in Spain to get customers' opinion on improvements to the reading, billing and payment service.

Lastly, in the fourth quarter, the "Interactive bill" project was launched with the aim of making it available next year as a complement to the current bill, allowing customers to interact with it to obtain historical, comparative and detailed information on the items billed to them.

Digitalisation of processes

The 2020 turnaround has driven the company's digitalisation. The main processes have been subjected to a thorough analysis to evolve them in line with the technological tools currently available. This evolutionary process has been carried out following the principles of agility, flexibility and efficiency; aware that the future brings disruptive technological tools and that the company has to be prepared to incorporate them into its processes.

Along with the evolution of processes, an automated Leads management model has been incorporated into the sales funnel that will permit far more personal relationships with potential customers and users.

In short, this year the technological and process bases have been established to change how Naturgy relates to its customers in a disruptive way in 2021, allowing the company to provide a far more personalised service.

Naturgy 

We work with rigour
and transparency
to create long-term
value.

Sustainability Report
and Non-Financial Information Statement
2020

07

Commitment to results

07. Commitment to results



What does this mean for Naturgy? Risks and management approach

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

Shareholders and investors are viewed as being among Naturgy's primary stakeholders. Therefore, properly managing risks and developing a solid Business Model that guarantees sustainability and long-term value creation are the key business goals.



What is our commitment?

- To pursue sustained returns that are commensurate with the risks while ensuring that decisions are based on approved risk levels and thresholds.
- To promote efficient resource allocation and management within the framework of continuous process improvement.
- To continue incorporating relevant sustainability features into the relationship with investors.



Evolution and results 2020

1. Overall results

Net turnover	<p>Net revenue for 2020 amounted to Euros 15,345 million and recorded a decrease of 26.1% compared to 2019, mainly as a result of lower energy demand caused by the COVID-19 outbreak. In addition, the uncertainty caused by COVID-19 has had a negative impact on the evolution of Latin American currencies.</p>
Ebitda performance	<p>Ebitda for 2020 amounted to Euros 3,449 million, including non-core items. Ordinary consolidated Ebitda for 2020 amounted to Euros 3,714 million, a 14.6% decrease compared to the previous year. On the plus side, commercialisation activity has experienced a significant recovery, especially due to the improvement in electricity margins, while renewable generation has remained stable despite lower pool prices thanks to higher production. On the contrary, global energy difficulties and the macro scenario have had important impacts on Energy Management and Latin American Networks, the latter affected by the exchange rate.</p>
Debt ratio	<p>Net financial debt at 31 December 2020 amounted to Euros 13,612 million, down on the figure at 31 December 2019 due to the effect of the transfer of the electricity distribution business in Chile. This activity has been classified as held for sale. As a result, the annualised net financial debt/Ebitda ratio increased to 3.9x from 3.6x as of 31 December 2019.</p>
Cash-flow	<p>Cash-flow after minorities amounted to Euros 1,626 million. The contribution from operating results is complemented by a decrease in working capital, due to lower sales and inventory, as well as optimisation efforts. Proactive working capital management has been a priority during the COVID-19 crisis.</p>
Completed transactions	<ul style="list-style-type: none"> - Purchase of 34.05% of Medgaz from CEPSA through a 50% special purpose vehicle with BlackRock's Global Energy & Power Infrastructure Fund. - Signing of an agreement for the sale of a 96.04% stake in Compañía General de Electricidad, an electricity distributor in Chile, for an equity value of Euros 2,570 million, and the sale of the electricity generation business in Kenya was completed. - A 5-year bond issue with a 1.25% coupon amounting to Euros 1,000 million. - New loans and credit lines in Spain amounting to Euros 1,225 million and Euros 530 million respectively. In international business, new loans and credit lines were signed for the equivalent of Euros 534 million and Euros 66 million respectively.

Investments

The tangible and intangible investments for the 2020 totalled Euros 1.279 billion, with a decrease of 24.1% year-on-year.

Maintenance Capex in 2020 amounted to Euros 546 million, compared to Euros 633 million in 2019, a 13.7% reduction resulting from the optimisation of Capex processes and the effect of exchange rates.

Growth Capex in 2020 represented approximately 60% of total Capex and amounted to Euros 733 million. Growth Capex in 2020 includes the following:

- A total of Euros 115 million invested during the period in the construction of different renewable projects in Spain (wind and solar), with 125 MW put in operation in 2020.
- Euros 287 million invested in the development of 181 MW of wind capacity in Australia and 307 MW of wind and solar capacity in Chile that will come into operation in the coming months.

Naturgy has recently reached several agreements in Australia that will increase its current presence in the country by almost 700 MW by 2022, confirming the commitment to growth in renewables.

Stock market performance and profitability

Naturgy shares closed 2020 at a price of Euros 18.96 and stock market capitalisation of Euros 18,384 million, which represents a 15.4% decrease versus the previous year-end.

■ Stock market indicators

	2020	2019	2018
No. of shareholders (in thousands)	75	70	73
Share prices at 31/12 (euros)	18.96	22.40	22.26
Earnings per share (euros)	(0.36)	1.43	(2.82)
Share capital (No. of shares)	969,613,801	984,122,146	1,000,689,341
Stock market capitalisation (million euro)	18,384	22,044	22,275

■ Financial ratios

	2020	2019 ⁽³⁾	2018
Debt (%) ^{(1), (2)}	54.7	52.2	51.2
Ebitda / Cost of net financial debt	6.9x	7.8x	7.5x
Net debt ⁽²⁾ / Ebitda	3.9x	3.6x	3.8x

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

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

⁽³⁾ 2019 restated for discontinued operations in 2020 in application of IFRS 5.

■ Consolidated net income (million euro)

	2020	2019	2018
Net profit of Naturgy	(347)	1,401	(2,822)

Profit by country (million euro)	2020	2019
Spain	(642)	502
Argentina	(126)	46
Brazil	48	74
Chile	117	202
Mexico	144	164
Panama	11	14
Rest of Latin America	24	56
Total Latin America	218	556
Rest of the world	77	343
Total	(347)	1,401

The changes in capital subsidies received are detailed in Note 15 to the Consolidated Annual Accounts. No capital grants have been received in 2020 (Euros 14 million in 2019). Operating subsidies received are detailed in Note 24 to the Consolidated Annual Accounts; Euros 1 million were received in 2020 (Euros 1 million in 2019).

2. Communication channels adapted to the needs of shareholders and investors

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

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

Naturgy also continued its Communication Programme with analysts and investors, in order to strengthen and provide more transparent economic-financial information to enable them to monitor Naturgy's business project. Along this line, during 2020 representatives of the company's management team and the Capitals Market Department held 169 meetings with institutional investors.

■ Communication channel indicators

	2020	2019	2018
Meetings with shareholders and analysts ⁽¹⁾	169	366	523

⁽¹⁾ The fall against the previous year is due to the impact of the pandemic, which has substantially limited the capacity to hold meetings and roadshows.

3. Sustainable financing and investor activities that take ESG criteria into account

Since 2012, Naturgy has been holding meetings with investors focused specifically on evaluating the group's ESG policies. Throughout 2020, Naturgy has continued with this activity, participating in various events, including the ESG conferences organised by Société Générale. The most relevant investors with whom these meetings were held during the year included Blackrock, Covalis, Allianz and LBBW AM.

Throughout 2017 and in line with its sustainability commitment, Naturgy introduced a framework for the emission of Green Bonds targeted at financing renewable energies. Under this framework, on 15 November 2017, Naturgy issued a Green Bond for an amount of Euros 800 million, maturing in May 2025. The issue pays an annual coupon of 0.875%. At the close of December 2020, all the funds from the issue have been invested in the planned renewable projects. The Green Bond was approved by the Oekom rating agency, obtaining a B+ rating.

In the banking market, Naturgy signed a total of Euros 1,525 million in green loans during 2020. This is in addition to the Euros 830 million in 2019. Euros 500 million of the total are for the green loan that Naturgy Renovables signed to finance part of its investments, under the Green Loan Principles.

To maintain this category, Naturgy Renovables must prepare and deliver an environmental monitoring report to the accrediting entities that incorporates at least the following information:

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

4. Inclusion in socially responsible investment indices

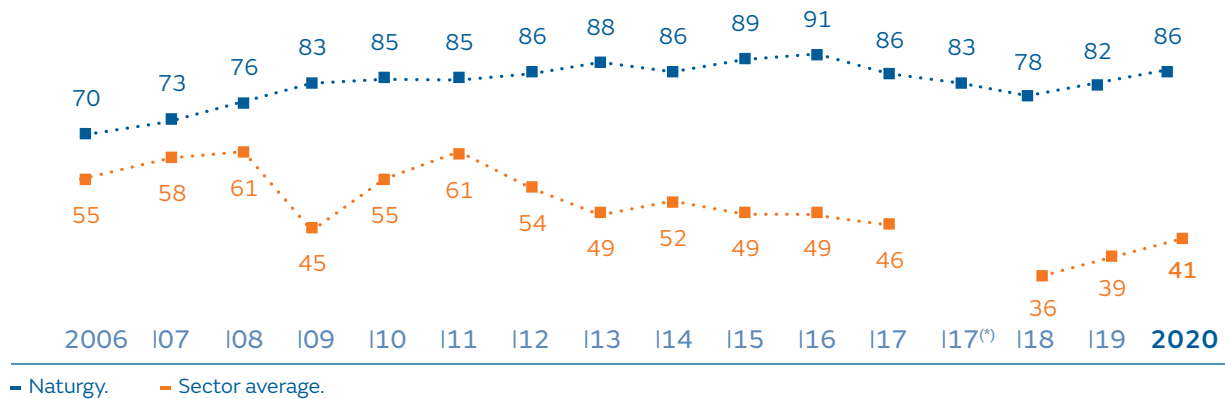
The company's performance in environmental, social and good governance matters has allowed it to position itself in benchmark positions in the main sustainability indices. Naturgy has been part of the Dow Jones Sustainability Index uninterruptedly for the last 16 years. In 2020, Naturgy increased its score by four points compared to 2019, coming second in the Gas Utilities sector and maintaining its environmental leadership. In the same way, the company has belonged to the FTSE4GOOD since its creation in 2001, also obtaining global leadership of the Multiutilities sector for the second year. Furthermore, during 2020, Naturgy has been evaluated by rating agencies such as MSCI, where once again it achieved the highest rating (AAA); by Sustainalytics, where it maintains a low risk profile compared to the 485 utilities evaluated; and ISS ESG, where it comes within the top 10% of companies in the sector with the best rating. The company has improved the score obtained from Vigeo Eiris in 2020

(the evaluation is performed every two years), and is a member of the three Euronext Vigeo indices: World 120, Europe 120 and Eurozone 120. Naturgy is also a member of the MSCI Global Climate Index and MSCI ESG Leaders Index. Ecovadis, a global provider of corporate sustainability ratings, also awarded Naturgy the gold medal for its performance in environmental, social and governance issues.

In 2020, Naturgy was recognised as a world leader for its action against climate change through inclusion in the CDP's Climate Change A List 2020. The company has obtained the highest possible score in this climate change index, in recognition of its actions to reduce emissions, mitigate climate risks and develop a low-carbon economy.

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

■ Evolution of Naturgy and sector average on DJSI (scale from 0 to 100)



Note

(*) The decrease in figures in 2018 is due to the methodology change of the index. For the sake of comparability, DJSI's rating agency, RobecoSam, recalculated the 2017 rating, which is shown with an asterisk.





We are tackling
the challenges
of climate change,
contributing to
the sustainability
of the planet.

08

Responsible environmental management

Naturgy's contribution to the SDG



08. Responsible environmental management



What does this mean for Naturgy? Risks and management approach

Responsible management of the environment is one of Naturgy's fundamental values and the key priority of the company's strategy. This has always been the case, but at this time of special importance for the energy sector in particular, and for society as a whole, Naturgy is further boosting its commitment to the fight against climate change and the protection of the environment, with the energy transition being a unique opportunity to transform the company and make a firm and sustained contribution to the decarbonisation of the economy.

In the fight against climate change, inaction is not an option as the risks of inadequate action are very high, which is why environmental protection is a priority for Naturgy. This commitment was made in the Strategic Plan 2018-2022, with the aim of becoming a major player in the energy transition towards a circular, low-carbon, digital economy model. This new strategy focuses on promoting renewable energies and fulfilling the climate change objectives of the Paris Agreement, through the following levers:

- Triple renewable generation installed capacity by 2022.
- Increase electrification in the countries where Naturgy operates.
- Exploit the potential of natural gas to reduce greenhouse gas (GHG) emissions by replacing more polluting fossils and by providing, through combined cycle power generation, the necessary support to enable the rapid penetration of renewable energies.
- The development of natural gas in transport as a fuel that is low CO₂ and atmospheric pollutants (particles, SO₂) to improve air quality in cities.
- In parallel, promoting the development of renewable gas (biomethane and hydrogen) as an energy vector of the future to gradually replace conventional natural gas and as an alternative for energy storage, in order to facilitate the transition to a low-carbon, circular economy model.
- Improved energy efficiency of both our own assets and those of our customers, offering efficient energy products and services.
- Digitisation as a lever for change in our relationships with customers, in the management of assets and in the design and operation of processes.

The company's Strategic Plan is currently being reviewed and the objectives will therefore be updated, of course, with a view to going further in each of the lines of action described.



What is our commitment?

The Corporate Responsibility Policy sets out the commitment to contribute to sustainable development through eco-efficiency, the rational use of natural and energy resources, minimising environmental impact, encouraging innovation and using the best available technologies and processes:

- Contribute to the mitigation of and adaptation to climate change through low-carbon and renewable energies, promotion of savings and energy efficiency, application of new technologies.
- Integrate environmental criteria in business processes, new projects, activities, products and services, as well as in the selection and evaluation of suppliers.
- Minimise the adverse effects on ecosystems and promote the conservation of biodiversity.
- Promote the efficient and responsible use of energy and natural resources, establishing activities to improve their management in the framework of the circular economy.
- Guarantee the prevention of pollution through continuous improvement of technologies and using the best techniques available as well as analysing, controlling and minimising environmental risks.

These commitments are developed and detailed in the Global Environmental Policy, which applies to all countries and businesses, where it is established that, from its potential to contribute to environmental protection, Naturgy voluntarily assumes the commitment to be a key player in the energy transition towards a circular, low-carbon and digital economy model. To this end, four strategic environmental axes are established:

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

Naturgy's basic principles of action in these axes are:

Governance and environmental management

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

Climate change and energy transition

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

Circular economy and eco-efficiency

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

Natural capital and biodiversity

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

In addition to the aforementioned principles of action, the Policy establishes the roles and responsibilities of the different areas in the company's environmental management. In turn, in 2019, the Environmental Plan was approved, which establishes the lines of action that emanate from this Policy and the objectives of the Strategic Plan 2018-2022, which are summarised in the following table:

Action	Indicator	Target 2022
Strengthening governance in environment and climate change.	Percentage of industrial Ebitda certified under ISO 14001.	90% of industrial Ebitda certified under ISO 14001.
	Absolute GHG emissions Scope 1 and Scope 2.	Reduce emissions by 21% in 2022 compared to 2017 to 17.3 million tCO ₂ eq.
Climate change and energy transition⁽¹⁾.	CO ₂ intensity in power generation.	Reduce specific CO ₂ emissions from power generation by 22% in 2022 compared to 2017 to 304 tCO ₂ /GWh.
	Percentage of the generation mix from renewable sources measured in installed capacity over the total of the group.	34% renewable power in electricity generation.
	Total water consumption.	Reduce water consumption by 20% in 2022 compared to 2017 to 22.4 hm ³ .
Renewable gas and boosting the circular economy.	Total waste (hazardous and non-hazardous).	Reduce waste by 70% in 2022 compared to 2017 to 247.2 kt.
	Percentage of total waste recycled and recovered (hazardous + non-hazardous).	Double the percentage of waste recycled and recovered in 2022 compared to 2017 to 66%.
Protection of biodiversity and development of natural capital.	Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling).	Conduct at least 300 biodiversity initiatives per year.

⁽¹⁾ The absolute emissions and GHG intensity targets are aligned with the global objective of keeping the temperature rise below 1.5°C.

Finally, it should be noted that the new Strategic Plan, entailing a review of the objectives of the Environmental Plan, is currently being drafted.

Governance

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

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

- The Management Committee, led by the Chairman and senior management of the company, regularly analyses proposals, monitors performance and validates sustainability action plans.
- An organisational structure that defines the environmental responsibilities of the different areas of the company. At corporate level, the function falls to the Environment and Social Responsibility Unit, which reports to the Sustainability, Reputation and Institutional Relations Department, and reports directly to the Chairman. This corporate unit defines the policies and standards to be followed and carries out high-level monitoring of the evolution and results of the action plans, indicators and environmental objectives. In turn, the different businesses and areas have specific environmental management units to ensure daily operations, compliance with standards and continuous improvement of processes.
- The Sustainability Committee, with representation from all areas of the company, monitors all indicators and defines and promotes the projects and corrective actions necessary to ensure compliance with the objectives of the Sustainability Plan, including environmental objectives.
- The operational environmental committees, in which all businesses and countries are involved, coordinate the activities carried out by the different units, and guarantee the uniform implementation of criteria and the dissemination of good practices.
- The integration of the environment into business processes, in all its phases, from design, to decision-making, risk and opportunity management, planning and execution of activities.
- An externally audited environmental management system certified under ISO 14001, based on environmental indicators and objectives for detailed monitoring and continuous improvement of processes.
- Annual action plans aligned with the environmental objectives.
- Methodologies and specific tools for environmental management.
- Innovation in technologies and business products and models that are eco-efficient and less intensive in CO₂.
- Responsible supply chain that integrates environmental criteria into the purchasing process.
- Communication, awareness and training of employees, collaborating companies and stakeholders on environmental issues.
- Preparation of regular reports on environmental performance and participation in international sustainability indices to ensure transparency and dissemination of results.



Environmental risks

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. Moreover, improper management can cause negative 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 reputational harm, and the risk is greater if the company has infrastructures and/or carries out operations in protected areas.

Environmental and climate change risks and opportunities are integrated into the global model, as described in the chapter “Risks and opportunities”.

Naturgy manages environmental events with a preventive approach. To do this, facilities with environmental risk are assessed using recognised standards as a reference. The first element for management is the self-protection plans and their associated procedures, which identify the risks and the most appropriate responses to potential accidents and emergency situations that may cause environmental damage, by providing the necessary means of containment and carrying out periodic drills. In addition, there are global and uniform procedures and systems in the different businesses and geographies for reporting, classifying, monitoring and managing environmental events, including the tool Pro-safety.

This methodology allows, in addition to adequate and homogeneous monitoring of environmental events, the identification, analysis, development, application and exchange of preventive measures and good practices in risk management at a global level between all areas. This approach allows preventive action, since it not only focuses on accidents, but also records and manages environmental incidents, which do not generate significant damage but are a source of learning and prevention of major events.

Climate change risks are managed following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), considering both physical and transition risks. For the specific analysis of climate change risk, Naturgy has developed its own tool that allows it to estimate risk exposure at an aggregate level and disaggregated by business, geography, technology and time frame (short, medium and long-term). This climate change risk model adopts a central scenario based on the A2 of the Intergovernmental Panel on Climate Change (IPCC) for temperature increase, rainfall, sea-level rise and extreme weather event parameters. The model allows for variations in both physical parameters and indicators of energy markets and regulation, such as the penetration of renewable energies, the CO₂ price, energy efficiency and the price of energy. It has adopted two additional scenarios to analyse sensitivities in which the price of CO₂ and the penetration of renewable energies have been tightened and increased, and which would correspond to ambitious emission reductions scenarios under possible tightening of climate policies, as it is transition risks which have a significantly greater impact on Naturgy. Thus, it estimates the impact of different climate change scenarios through physical, environmental, business and economic indicators. In addition, impact assessment scenarios based on new products and services or R&D&I actions can be simulated. Detailed information on climate risk is provided in the Carbon Footprint Report.

Physical risks are considered in the design of new facilities, as a measure of adaptation to climate change. Safety measures are in place at operating plants to respond to incidents caused by extreme weather events, and these events are also included in emergency plans and protocols.

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

- Environmental liability insurance: limit contracted for a value of Euros 150 million per loss event and in the annual aggregate.
- Liability coverage for sudden and accidental pollution in the general public liability policy: limit of Euros 500 million per loss event.
- Protection and indemnity 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.



Evolution and results 2020

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

The following table shows the evolution of the objectives of the current Environmental Plan to 2020.

■ Responsible management of the environment

	2020	2019	Environmental Plan		
			2017 base year	Target 2022	Variation 2020 vs. 2017
Absolute greenhouse gas (GHG) emissions - Scopes 1 and 2 (MtCO ₂ eq)	15.5	16.5	21.8	17.3	-29%
CO ₂ intensity in electricity generation (tCO ₂ /GWh)	297	301	388	304	-23%
Installed capacity from renewable sources (%)	29	27	22	34	32%
Water consumption (hm ³)	20.3	20.0	28.0	22.4	-27%
Waste produced (kt)	159	154	824	247	-81%
Recycled or recovered waste (%)	61	57	33	66	85%
Initiatives to improve biodiversity (No.)	265	257	See note ⁽¹⁾	300	n.a.
Activity with environmental certification ⁽²⁾ (%)	92.2	88.7	87.7	90.0	5%

Notes:

⁽¹⁾ Indicator created in 2018.

⁽²⁾ Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

The evolution of other environmental indicators of interest is included below:

	2020	2019	Variation 2020 vs. 2019
Direct greenhouse gas emissions (GHG) Scope 1 (MtCO ₂ eq)	14.3	15.4	-7%
Indirect greenhouse gas emissions (GHG) Scope 2 (MtCO ₂ eq)	1.2	1.1	9%
Indirect greenhouse gas emissions (GHG) Scope 3 (MtCO ₂ eq)	123.2	129.4	-5%
Emission-free production ⁽¹⁾ (%)	32	27	19%
Total energy consumption within the organisation (TWh)	56	57.9	-3%
Energy consumption outside the organisation (TWh)	566	632	-10%
Consumption of fuel raw materials (Mt)	5.2	5.5	-5%
Consumption of non-fuel raw materials (kt)	16.7	17.4	-4%
Resources targeted at the prevention of environmental risks ⁽²⁾ (million euro)	685	546	25%

Notes:

⁽¹⁾ Includes hydroelectric, wind, solar and nuclear generation.

⁽²⁾ All environmental expenditures and investments have been considered.

As can be seen in the tables shown previously, we are on track to meet all our targets and the remaining indicators are evolving positively, highlighting the company's good environmental performance.

1. Governance and environmental management

Naturgy is aware of the environmental impacts of its activities, 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 compliance with legal requirements with respect to the environment, adopting more ambitious environmental requirements, involving suppliers, working with the different stakeholders and promoting the responsible use of energy.

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

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

⁽¹⁾ The impacts of water management are detailed in the section on Circular Economy and Eco-efficiency.

⁽²⁾ The section on Biodiversity and Natural Capital details the main impacts on biodiversity.

Naturgy's approach to environmental management is based on application of the principle of prevention and is 360°, considering the entire business value chain. Naturgy has had an integrated quality, environmental, safety and health management system (IMS) for a number of years, environmentally certified according to the requirements of ISO 14001:2015, which is externally audited every year. The environmental management system is aimed at preventing pollution and reducing environmental impacts throughout the value chain, involving employees, suppliers and other stakeholders. The processes certified through this system are:

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

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

- Themis, for the identification, registration, monitoring and management of compliance with legal requirements.
- Prosafety, for recording and management of the findings, nonconformities, observations and opportunities to improve environmental management.
- Damas, to identify and assess the direct and indirect environmental aspects of the company, allowing us to establish the most relevant aspects to take into account both in the environmental management of these as well as the environmental targets defined each year.
- Environmental planning, through which action lines are defined, introduced and monitored to reduce environmental impact and for continuous improvement.
- Enablon, for recording and centralised 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.
- Carbon footprint, to determine greenhouse gas emissions throughout the entire value chain, including indirect emissions produced by third parties upstream and downstream of group activities.
- Geographical information system of biodiversity, showing the protected natural areas, the group's facilities and the initiatives carried out to protect and improve natural capital.

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

■ Processes by country with certified environmental management

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

■ Certified.

In 2020, 92.2% of Ebitda comes from industrial activities with ISO 14001 environmental certification. This certification has been obtained after passing the external audits carried out by AENOR.

Supply chain

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

Additionally, the integration of climate change issues into the supply chain has been strengthened through the CDP Supply Chain initiative.

Legal requirements and sanctions

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

The company only received one significant sanction (fines over Euros 10,000) amounting to Euros 76,363 for environmental breaches in 2020. Dating from 2017, it is currently under appeal. It was incurred in Concello de Oleiros, Galicia, for some tree removal and pruning works on council-owned land over which a power line owned by Naturgy (UFD) runs.

Environmental risks

With regard to environmental events, the following table includes data with the main spillages that occurred in 2020. In all cases, the environmental incident procedure was activated and the spill was collected and the area cleaned. There have been no significant impacts on the environment. Most spillages were contained in Naturgy's facilities and there has been no deterioration of water courses or damage to biodiversity. It is worth noting the improvement compared to 2019, with a reduction in all parameters, in particular the 97% drop in the total volume of discharges compared to the 29.5 m³ discharged in 2019.

■ Spill table

					2020
Activity	No. of events	Nature of spill (no. of events)	Spill volume (m ³)	Surface area of natural soil affected (m ²)	Country (no. of events)
Electricity generation	7	Oil (5), fuel (1) and sulphuric acid (1)	0.6	25	Spain (6) and Mexico (1)
Gas and electricity distribution	20	Oil (18) and fuel (2)	0.3	134	Chile (15) and Spain (5)
Total	27	---	0.9	159	---

Environmental training

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

In 2020, a total of 3,418 hours were given to 1,503 participants, with 185% and 188% of the hours and participants performing as planned, exceeding the training initially planned.

Environmental communication and awareness: dialogue with stakeholders

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

The activities developed in 2020 included the following:

- Publication of environmental reports on the website www.naturgy.com: Carbon Footprint Report 2019 and Biodiversity Report 2017-2019.
- Participation in collaborative initiatives to improve the environment, including:
 - Sustainable Development and Environment Commission of the Confederation of Employers and Industries of Spain (CEOE).
 - Circular Economy Commission of the Spanish Chamber of Commerce.
 - Working Group on Circular Economy of the Junta de Comunidades de Castilla-La Mancha.
 - Circular Economy Working Group of COTEC.
 - Clusters of circular economy and climate change of Forética.
 - Spanish Green Growth Group, of which Naturgy is a founding partner.
 - Working Group on Natural Capital and Energy, together with other companies in the sector (Cepsa, EDP Spain, Enagás, Endesa, Red Eléctrica Group, Iberdrola and Repsol) to implement a standardised framework for assessing the natural capital impact of the Spanish energy sector.
 - Participation in the LIFE BooGI BOP project to promote biodiversity in urban and rural environments.
- Inclusion in pacts and initiatives for the environment:
 - Biodiversity pact and participation in the Spanish Business and Biodiversity Initiative.
 - Pact for a Circular Economy of the Ministry for the Ecological Transition and the Demographic Challenge of Spain.
- Participation in congresses, round tables and media publications disseminating experiences and knowledge in the fields of climate change, energy transition, the circular economy and biodiversity.
- Organisation of external dissemination webinars on environmental issues, such as the one held to commemorate the European Climate Pact "Naturgy: biomethane, circular economy in the agricultural and livestock sector against climate change and for rural revival".
- Messages to encourage energy saving and efficiency measures have been sent to customers on bills.

The Naturgy Foundation has also carried out numerous initiatives to disseminate, train, inform and raise awareness in society on energy and environmental issues. The activities and results achieved can be consulted in the chapter on Social Commitment, the most significant of which are summarised below:

- Energy efficiency workshops for vulnerable families, schools, public administrations and the third sector.
- Various articles about energy and the environment, and new publications.
- Innovative educational programmes, such as “Efigy Education”, aimed at 20,000 students in educational centres in more than 100 municipalities throughout Spain—a programme which explores new technologies for energy transition, environmental preservation and responsible energy consumption.
- Through the Foundation, the company has continued to encourage corporate environmental volunteer actions targeted at promoting a positive attitude among employees and their families about the preservation of biodiversity. Two days of environmental volunteering were held in natural areas. In 2020, due to the pandemic, the activity was moved to a virtual format with four workshops being organised on different topics including urban gardens, birds and bats and nest boxes and insect hotels being created. A total of 367 volunteers, including employees and their families, took part.

Lastly, to guarantee effective communication with the external interested parties, there are different formal complaint mechanisms in operation. Dealing with environmental complaints properly is of great value because these complaints represent an opportunity to improve environmental management. During 2020, 39 environmental complaints or claims were registered, 36 of which were resolved during the year, the rest being in the process of resolution.

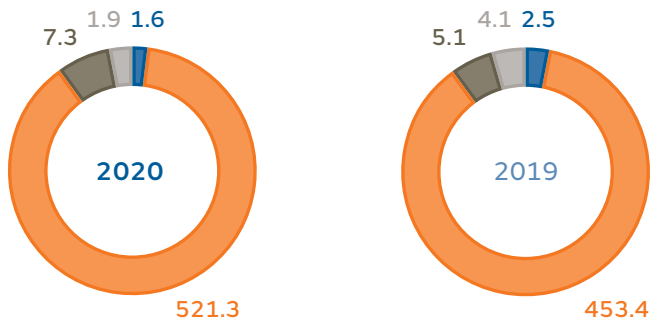


Environmental investments and expenses

Naturgy makes a significant effort in environmental protection, providing the necessary means and resources. The environmental actions carried out in 2020 have reached a total of Euros 685 million (Euros 546 million in 2019), of which Euros 532 million correspond to environmental investments and Euros 153 million to expenses incurred in the environmental management of the facilities, excluding those resulting from the carbon market. Investments made include Euros 494 million in renewable projects, which will contribute to the energy transition and reduce specific emissions of CO₂ and other atmospheric pollutants.

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

■ Environmental investments (million euro)



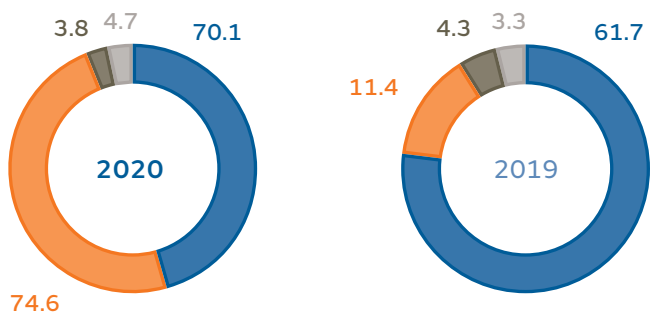
Total investments

532.3 million euro

465.1 million euro in 2019

- Governance and environmental management.
- Climate change and energy transition.
- Circular economy and eco-efficiency.
- Biodiversity and natural capital.

■ Environmental expenses (million euro)



Total expenses

153.2 million euro

80.7 million euro in 2019

- Governance and environmental management.
- Climate change and energy transition⁽¹⁾.
- Circular economy and eco-efficiency.
- Biodiversity and natural capital.

⁽¹⁾The increase in expenses in the Climate change and energy transition category compared to 2019 is largely due to the inclusion of operating and maintenance expenses for renewable facilities, whose operation contributes to the reduction of GHG emissions.

Environmental governance and management: achievements and highlights in 2020

Lines of action	2020 milestones
Governance	<p>Creation of the Sustainability Committee delegated by the Board of Directors.</p> <p>Creation of the Environment and Social Responsibility Unit, within the Sustainability, Reputation and Institutional Relations Department, reporting directly to the Chairman.</p>
Environmental management	<p>92% of Ebitda comes from industrial activities certified in environmental management by ISO 14001.</p> <p>Increase in environmental actions (environmental investments and expenses) by 25% in 2020 compared to 2019, reaching a total of Euros 685 million.</p>
Awards and recognition	<p>First European Business Awards for the Environment, convened by the European Commission, in the section of Environmental Management, for companies that make environmental sustainability compatible with business success. Winners in both the national section (115 applications) and the European section (94 applications).</p>

2. Climate change and energy transition

Naturgy believes that climate change is a global environmental challenge and is committed to offering its customers eco-efficient and less CO₂-intensive energy products and services to help mitigate climate change and the energy transition. The main strategic lines of action in terms of climate to reduce GHG emissions are:

- Promote renewable energies and encourage their integration through the development of smart networks.
- Close down the coal-fired power stations.
- Promote natural gas as an alternative to the most emitting fossil fuels.
- Develop technologies and new business models to reduce emissions, such as renewable gas, both from organic waste and from hydrogen produced from renewable electricity.
- Promote energy efficiency in own and customers' facilities.
- Promote sustainable mobility that reduces GHG emissions and also air pollution, helping to improve air quality.

For management of climate change, in addition to the climate change risk management tool, the measurement, control and monitoring of GHG emissions and the operational plans developed to reduce them are carried out, and the evolution is reflected each year in the Carbon Footprint Report, included as an annexe to this document. The commitment to transparency and dissemination of information on climate change is embodied in the publication of this report, as well as participation in international climate change benchmarks such as CDP Climate Change. It should be noted that Naturgy has been recognised by this index for its climate management, obtaining the highest rating in CDP Climate Change 2020 (A List), remaining since 2011 in the leadership band.

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

Given that some of Naturgy's activities are regulated by the European Directive on Emissions Trading (Phase III 2013-2020), in order to cover these CO₂ emissions, integrated portfolio management is used to acquire 100% of the emission rights equivalent to its generation, since from 1 January 2013 the electricity sector will not receive free allocation. For this purpose, it actively participates both in the primary market, through auctions, and in the secondary market.

Carbon footprint inventory

Detailed information on climate performance and a description of the standards, methodologies, conversion factors, assumptions and calculation tools used is given in the 2020 Carbon Footprint Report, included as an appendix to this document. The most relevant data are summarised below:

■ Emissions (tCO₂eq)

	2020	2019
Scope 1	14,301,874	15,415,253
Scope 2	1,153,608	1,098,662
Scope 3	123,217,903	129,433,473
Activities associated with upstream fuels and energy	30,638,299	28,390,264
Coal	107,120	67,446
Natural gas	20,137,098	16,583,367
Oil	185,822	392,403
Electricity	10,208,259	11,347,048
Business trips	621	3,108
Mobilisation of employees	8,286	9,314
Use of products sold	92,462,851	100,959,590
Natural gas	92,462,851	100,959,590
Investments	107,846	71,197
Total	138,673,385	145,947,388

Coverage of facilities regulated by the European Emissions Trading Directive in Phase III (2013-2020)

■ Allocation of CO₂ emissions allowances or equivalent (million tonnes)

Total CO₂ emissions

affected by the regulations
governing the European
Emissions Trading System



6.2

2019



6.0

2020

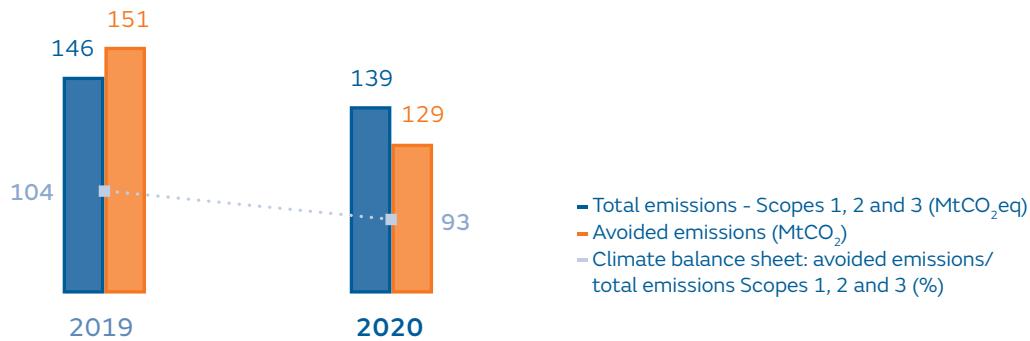


Initiatives for reducing GHG emissions and associated energy savings

Avoided emissions ⁽¹⁾	Avoided emissions 2020 (tCO ₂ eq)	Energy savings 2020 (GWh)	Avoided emissions 2019 (tCO ₂ eq)	Energy savings 2019 (GWh)
Natural gas: reduction of CO₂ emissions by displacement of coal and oil derivatives, of higher emissions	120,304,619	161,637	139,922,516	195,207
Electricity production	76,787,895	133,522	95,991,693	166,697
Industry	22,497,930	10,353	22,414,029	10,198
Residential/Commercial	10,906,893	11,461	11,622,165	12,183
Transport	2,801,792	2,807	2,811,566	2,817
Cogeneration	7,310,108	3,493	7,083,063	3,312
Renewable energies: displacement of fossil fuel generation	5,001,239	19,593	6,252,903	16,917
Wind farms	2,494,745	9,723	2,607,393	7,213
Hydroelectric production	2,179,056	8,616	3,280,482	8,594
Photovoltaic production	327,438	1,253	365,028	1,110
Energy savings and efficiency in own and customers' facilities	1,058,308	2,198	1,190,936	2,942
Own facilities:				
Energy Efficiency Operations Plan	-	-		
Renewal of gas transmission and distribution networks	746,958	545	742,898	553
Actions in electricity distribution	1,109	4	20,191	146
CCGTs	47,361	242	85,352	428
Coal-fired power stations	7,952	24	11,790	35
Fuel oil-fired power stations	12,680	46	26,894	105
Customer facilities				
Energy services	242,249	1,336	303,811	1,675
Other				
Nuclear production	2,309,669	-4,574	4,047,879	-3,603
Total	128,673,836	178,854	151,414,234	211,463

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

■ Climate balance sheet

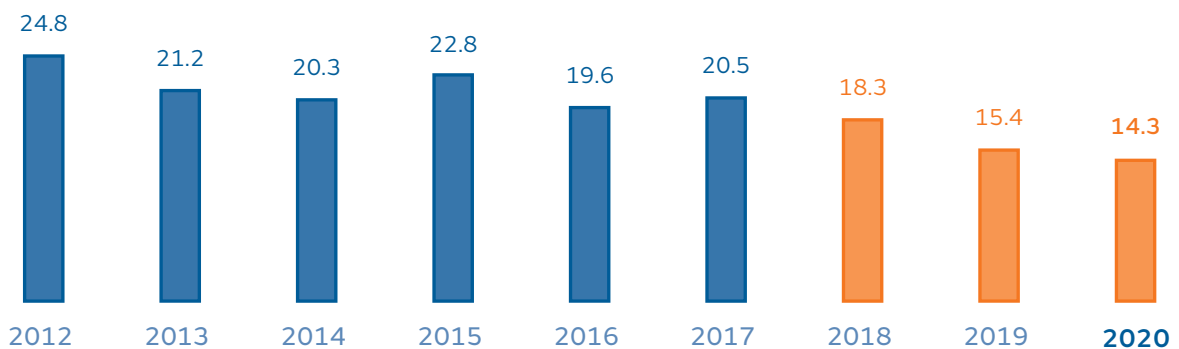


The absolute emissions and GHG intensity targets are in line with the overall target of **keeping temperature increases below 1,5°C**.

The climate balance sheet sets out the relationship between our emissions (direct and indirect) and the emissions prevented by our assets, products and services. This balance sheet, while subject to the variability inherent in the business and the environment in which we operate, marks a long-term trend that shows whether we are aligned with the global objective of climate neutrality introduced in the Paris Agreement. In 2020 the balance has been 93%.

In terms of the evolution of our direct GHG emissions, we have reduced our direct GHG emissions (Scope 1) by 42% since 2012. The graph below shows the evolution over time, highlighting the decrease from 2017, with the implementation of the Strategic Plan 2018-2022.

■ GHG emissions Scope 1 (MtCO₂eq)



Climate change and energy transition: achievements and highlights in 2020

Lines of action	2020 milestones
Climate management	<p>Naturgy was externally recognised for its climate management, obtaining the highest rating from the CDP Climate Change 2020 (A List), and has been present in the leadership band since 2011.</p> <p>Diploma “Business Examples of Actions #PorElClima2020” from the #PorElClima (#ForTheClimate) Community, for the effort and commitment to address the climate emergency.</p>
Reducing direct CO₂ emissions	<p>Closure of all Naturgy coal-fired power stations in the first half of 2020, involving a significant reduction in CO₂ emissions and other atmospheric pollutants.</p>
Promoting renewable electricity	<p>Implementation of new renewable projects (151 MW of wind power in Spain), which have led to an increase in installed renewable capacity to 29% globally and an increase in electricity produced from water, wind and solar, which has reached 22% of the total electricity generated in 2020.</p> <p>The fact that Naturgy has over 9,800 MW of power installed in combined-cycle plants, the most eco-efficient conventional thermal technology that acts as a backup for renewable generation in times of lack of water, wind or sun, has spurred the penetration of renewable energies in the system.</p>
Reducing fugitive GHG emissions in gas networks	<p>Renovation of gas networks, replacing cast-iron pipes with polyethylene, materials with lower methane leaks.</p> <p>Sectorisation of gas networks by means of shut-off valves that allow the isolation of areas where leaks are detected in order to reduce methane emissions during the work of locating and repairing the incident.</p> <p>Improved control and remote monitoring equipment for distribution systems to facilitate operation, detection and reduction of leaks.</p> <p>Reduction of methane leaks by monitoring the gas network (regular routine inspections to identify undetected leaks), reducing pressure during off-peak consumption and improving leakage response plans to reduce response times.</p> <p>Improvement in the operation and maintenance of gas transport infrastructures to reduce venting.</p> <p>Installation of smart meters in Spain.</p>
Reduction in SF₆ emissions	<p>Replacement of SF₆ (greenhouse gas) equipment with new models with a lower leakage rate.</p> <p>Participation of electricity distribution in the Voluntary Agreement for the reduction of SF₆ emissions promoted by the Ministry for Ecological Transition and the Demographic Challenge.</p>
Displace carbon intensive fuels	<p>The distribution and commercialisation of natural gas to replace more carbon-intensive fuels (coal, petroleum derivatives) led to the reduction of 120 million MtCO₂eq, and other air pollutants (SO₂, particulate matter, NO_x).</p>

Continues >

Lines of action	2020 milestones
Sustainable mobility for customers	<p>Seven bunkering operations have been carried out on two ships, replacing oil-based fuels with liquefied natural gas, which is the most eco-efficient alternative in maritime transport in terms of both GHG emissions and other pollutants.</p> <p>Implementation of comprehensive and personalised electric mobility solutions that allow customers to enjoy their electric vehicle charging point.</p> <p>Commissioning of 5 new vehicular natural gas stations in Spain.</p>
Sustainable mobility for employees	<p>Start-up of recharging points in our own facilities to promote electric mobility (San Cugat offices, Sabón and Palos combined-cycle power stations, etc.). Under this last initiative, the Palos combined-cycle power station was awarded the Lince 2020 prize.</p> <p>Commissioning of electric vehicle fleets to increase the environmental sustainability of the fleets (UFD, Panama).</p> <p>Employee awareness raising campaigns for more sustainable transport use.</p> <p>Digitalisation of processes to reduce face-to-face procedures and associated transfers (Argentina).</p>
Increasing energy efficiency at our own facilities and those of our customers	<p>Energy Efficiency Operations Plan in own facilities, that has prevented the emission of 1,058 kt CO₂eq.</p> <p>Renewal of boilers, conversion of customers to replace the consumption of oil derivatives with natural gas, personalised self-consumption solutions, cogeneration projects, installation of photovoltaics in homes and businesses, efficient lighting and air conditioning solutions.</p>
Innovation in low-carbon energy products and services	<p>Commercialisation of ECO tariffs and products in Spain, such as the ECO electricity tariff, to provide customers with 100% of their energy from renewable sources (approximately 5,400 GWh, 29% of the energy supplied) and the neutral gas tariff, a natural gas supply service offset by neutralising their CO₂ emissions.</p>

3. Circular economy and eco-efficiency

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

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

Energy and materials

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

As far as energy consumption is concerned, Naturgy's commitment to renewables and the promotion of energy savings and efficiency, both at its own facilities and at its customers, contributes to reducing the environmental impact of unconsumed energy. The figures regarding energy consumption both inside and outside the organisation are given below⁽⁵⁾.

■ Total energy consumption within the organisation (GWh)

	2020	2019
Non-renewable fuels	85,750	92,051
Natural gas	68,060	73,127
Coal	2,929	1,844
Petroleum derivatives	1,641	3,466
Uranium	13,120	13,614
Renewable fuels	-	-
Electricity acquired for consumption	3,181	3,027
Renewable electricity generated (not included in the consumption of fuels)	9,202	7,549
Electricity and steam sold	- 42,140	- 44,777
Total	55,993	57,850

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

■ Energy intensity within the organisation by business segment

	2020			2019		
	Energy consumption within the organisation (GWh)	Net turnover (million euro)	Ratio (GWh / net turnover)	Energy consumption within the organisation (GWh)	Net turnover (million euro)	Ratio (GWh / net turnover)
Total	55,993	15,345	3.65	57,850	20,761	2.79

⁽⁵⁾ The lower calorific values (LCV) and higher calorific values (HCV) of the different fuels defined by the Spanish Office for Climate Change were used to calculate energy consumption.

■ Energy consumption outside the organisation (GWh)

	2020	2019
Final use of the natural gas commercialised	509,289	566,832
Electricity	56,610	64,792
Total	565,899	631,624

In 2020, consumption of energy resources decreased by 3% within the organisation, and by 10% outside of it.

■ Materials used, by weight or volume (Mt)

	2020	2019
Fuels	5.19	5.50
Natural gas	4.57	4.90
Coal	0.47	0.30
Petroleum derivatives	0.15	0.30
Uranium	0.00001	0.00001

■ Materials used, by weight or volume (kt)

	2020	2019
Other materials	16.71	17.40
Calcium carbonate	9.30	10.70
Lubricant/hydraulic oil	0.61	1.10
Sulphuric acid	1.72	1.20
Nitrogen	1.06	1.30
Sodium hypochlorite	0.57	0.50
Calcium hydroxide	0.96	0.80
Sodium hydroxide	0.74	0.31
Rest of other materials ^(*)	1.75	1.49

^(*) Includes paper and toner consumption, which in 2020 amounted to 61 t and 1.9 t respectively, much lower than in 2019 (166 t and 3.7 t respectively) due to the remote working situation resulting from COVID-19.

In terms of the materials used, there was a decrease in consumption by weight, both fuels (6% reduction) and other non-combustible materials (4% reduction) compared to 2019.



Water

Water is one of the natural resources used in the processes. Of the total water collected by the company is returned to the environment, with consumption representing a very small percentage of the total, just 2%.

■ Water collection, consumption and discharge (hm³)

	2020 target value path	2020	2019
Total volume of water captured from the environment	858	928	791
Total water consumption	25	20	20
Total volume discharged	836	909	779

Note: The discrepancy in the water balance in 2020 is due to the fact that the discharge includes rainwater collected by the drainage networks of the facilities.

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

Potential impacts on water	Transmission and distribution			Electricity generation			
	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
The construction and dismantling of facilities can cause temporary impairment of water quality in nearby water masses during the construction phase. The main causes of these impacts are: local removal of vegetation, land being dragged by runoff, accidental spills and uncontrolled dumping.	■	■	■	■	■	■	■
During the operation phase, there is a risk of water quality impairment due to accidental spillage of liquids, waste or materials into bodies of water in the vicinity of the facilities.	■	■	■	■	■	■	■
Modification of physicochemical parameters downstream of the facilities due to the liquid discharges produced.	■	■	■	■	■	■	■
Water consumption or drawdowns and/or scarcity of water both for the ecosystems present in the environment and for the populations and socio-economic activities.	■	■	■	■	■	■	■
Type of impact							
■ Low impact. ■ Medium impact. ■ Significant impact. ■ No significant impact.							

In the design phase of the facilities likely to generate significant impacts on the environment, Environmental Impact Studies are conducted, in which project alternatives and the natural environment are studied, paying special attention to water and its availability, both for the ecosystems and for the affected population. Consequently, all necessary measures are included in the project design to ensure that the environmental and social impacts associated with water use are minimised. In the Environmental Impact Assessment process, both the project and the Environmental Impact Study are subject to public information, whereby stakeholders participate in the procedure by submitting the arguments and proposals they deem appropriate, many of which end up being integrated into the end solution. The result of this process is an environmental authorisation which gives the specific conditions applicable to each project, and which guarantees that water management is adjusted both to the local context of availability of the resource and to the applicable public policies. Occasionally, where facilities are located in areas without local discharge requirements, internationally recognised standards, such as those established by the World Bank guidelines, are taken as a reference.

Once the facilities enter into construction or operation, the monitoring and analyses set out in the environmental studies and in the authorisation are carried out to ensure that the quality of the environment and the availability of this shared resource are maintained. This is guaranteed by the externally audited environmental management system certified by ISO 14001.

The existence and magnitude of impacts will depend on both the source of water used and the amount of the resource consumed. In the case of Naturgy, the main source of water used globally is seawater, which in 2020 accounts for more than 97% of the total. Next is the wastewater from other industries or from urban sources, which is treated to be reused in our processes, thus avoiding the consumption of fresh water, especially in areas of scarcity. Finally, and to a lesser extent, fresh groundwater or water from the supply network is captured.

■ Water collection by source (hm³)

	2020	2019
Surface water captured (sea ⁽¹⁾)	901.3	759.70
Surface water captured (rest ⁽²⁾)	6.1	6.40
Groundwater captured ⁽²⁾	0.4	0.2
Wastewater used from another organisation ⁽¹⁾	19.8	23.6
Water captured from the supply network ⁽²⁾	0.3	0.6
Total volume of water captured from the environment	927.9	790.5

⁽¹⁾ Total dissolved solids (TDS) > 1,000 mg/L.

⁽²⁾ Total dissolved solids (TDS) ≤ 1,000 mg/L.

Most of the water collected for the processes is returned to the environment, representing only 2% of water consumed. Most of this consumption takes place in the thermal power stations for electricity generation, specifically in the cooling towers.

■ Water consumption (hm³)

	2020	2019
Consumption of cooling water	17.1	17.1
Consumption of water in water/steam cycle	0.4	0.4
Consumption of water in other processes	2.3	1.8
Consumption of water in ancillary services and buildings	0.5	0.7
Total	20.3	20.0

Once used, the different water flows are segregated according to their nature and those that require it are treated at the effluent treatment plants, eliminating the contaminants they contain (particles, oils, organic contamination, pH outside the range, etc.) until the appropriate conditions are reached for their discharge. Each facility has its own discharge limits, set according to the nature and carrying capacity of the receiving water body. Prior to discharge, effluents are analysed to ensure that the permissible limits are complied with and that there are no negative impacts on the aquatic ecosystem. This analysis and monitoring is not limited to the effluents alone; the plants also monitor the water in the environment receiving the discharges to ensure that there are no negative effects on the aquatic environment.

The treatment equipment and systems worked as planned in 2020, complying with environmental permits. In addition, studies of the receiving environment reveal that no significant impacts were generated in the aquatic ecosystems where the effluent discharges are made. Most discharges are into the sea, followed by rivers and the public sewerage system.

■ Water discharge (hm³)

	2020	2019
Water discharged into the sea	904.70	766.80
Water discharged into waterways	4.42	11.30
Water discharged into the public sewerage system	0.32	0.40
Water discharged into septic tanks	0.01	0.01
Water discharged for use by an aquifer	0.02	0.01
Total volume discharged	909.47	778.52

Note: All discharges had a TDS concentration > 1,000 mg/L.

To adequately manage this resource in the facilities with the greatest potential impact, Naturgy also carries out a global assessment of the risk associated with water management, which analyses the use of water by the facilities and the characteristics of the environment in which they are located according to their water stress category. The result of this study states that Naturgy, aware of the situation of water stress or scarcity in the surroundings of some of its thermal plants, implements systems for the use of seawater or the reuse of waste water from cities or other industries in these facilities, which avoids fresh water being consumed and removes the pressure on this scarce resource. In fact, in 2020, fresh water captured (TDS \leq 1,000 mg/l) in areas of high water stress amounted to only 0.11 hm³, which represents 0.01% of total water captured.

■ Water collection in high water stress areas

	Volume (hm ³)		Percentage of total water collected	
	2020	2019	2020	2019
Total water captured in high water stress areas	225,519	90,330	24%	11%
Seawater ⁽¹⁾	205,626	66,090	22%	8%
Fresh surface water ⁽²⁾	0.092	0.600	0%	0%
Fresh groundwater ⁽²⁾	0.004	0.030	0%	0%
Water from another organisation (reuse) ⁽¹⁾	19,784	23,600	2%	3%
Water captured from the supply network ⁽²⁾	0.013	0.010	0%	0%
Capture of fresh water (TDS \leq 1,000 mg/l) in areas of high water stress	0.109	0.640	0.01%	0.08%

The following tables show consumption and discharge in these areas.

■ Consumption of water in high water stress areas (hm³)

	2020	2019
Consumption of cooling water	10,338	9,030
Consumption of water in water/steam cycle	0.237	0.193
Consumption of water in other processes	0.002	0.023
Consumption of water in ancillary services and buildings	0.261	0.310
Total	10,838	9,556

■ Water discharge in high water stress areas (hm³)

	2020	2019
Water discharged into the sea	214,388	77,002
Water discharged into waterways	0.711	0.667
Water discharged into the public sewerage system	0.030	0.049
Water discharged into septic tanks	-	-
Water discharged for use by an aquifer	-	-
Total volume discharged	215,129	77,718

Globally, there was a 17% increase in both water capture and discharge in 2020, due to increased activity of coal-fired power stations compared to the previous year. In terms of consumption, the increase recorded was limited to 2%. Considering the quality of water used, these increases have been mainly due to the increased use of seawater, which is a more readily available water resource, with a net decrease of 6% in fresh water capture. This meant a lessening of negative environmental impacts owing to the reduced use of the most sensitive resource (fresh water). This trend was replicated in areas of high water stress, where there is greater competition for fresh water, with an 83% reduction in fresh water capture in those areas.

With regard to the indirect effects on water, it should be noted that water is one of the criteria considered in the purchasing and supplier management model.

■ Total specific atmospheric emissions: Nitrogen oxides (NO_x), sulphur oxides (SO₂) and other significant air emissions (kt)

	2020 target value path	Total (kt)		Specific (g/kWh)	
		2020	2019	2020	2019
SO ₂	8.8	3.4	2.1	0.08	0.05
NO _x	19.6	10.6	12.1	0.25	0.27
Particles	1.0	0.3	0.5	0.01	0.01
Mercury	n.a.	0.00002	0.00002	0.0000006	0.0000004

The above data correspond to direct measurements made at the facilities. As can be seen, there has been an increase in SO₂ emissions, mainly due to the increased operation of coal-fired plants compared to the previous year, as these plants have the highest emissions of this atmospheric pollutant due to the higher percentage of sulphur in the fuel.

■ Emissions of ozone-depleting substances (SAO) (t)

	2020	2019
HCFC	0.0001	0.0100
Freon R22	0.26	0.58

The above data correspond to direct measurements of filling operations performed on equipment using these substances.

With regard to light and noise pollution, following the materiality analysis carried out, these issues have not been of maximum relevance, nor other issues relevant to the company, which is why no information is included in this regard. However, noise-producing facilities are equipped with silencers, insulation and other acoustic measures to ensure compliance with legal limits and reduce disturbance to the surrounding population and fauna, as well as monitoring and measurement programmes to ensure compliance with these requirements.



Waste

Within the framework of the integrated management system, Naturgy has procedures for the control and management of waste, through which it defines the systems for its adequate minimisation, segregation, storage, control and final management.

In accordance with the waste hierarchy, the company prioritises management aimed at prevention, reuse and recycling over other less sustainable alternatives such as incineration without energy recovery or landfill. This strategy is clearly defined in the Environmental Plan, which includes two waste-related targets: reducing waste by 70% and doubling the percentage of waste recycled and recovered by 2022 compared to 2017.

■ Waste managed and compliance with targets (kt)

	2020 target value path	2020	2019
Total waste (kt)	478	159.2	154.4
Non-hazardous waste (kt)	469	153.8	147.5
Hazardous waste (kt)	9	5.4	6.9
Recovery and recycling rate	53%	61%	57%

■ Non-hazardous waste managed (kt)

	2020	2019
Soil and rubble	48.5	70.1
Ashes	60.1	32.3
Gypsum	19.5	20.2
Sludge	8.8	6.6
Cinders	6.8	7.9
Vegetable waste	3.8	2.5
Rest	6.3	7.9
Total	153.8	147.5

■ Hazardous waste managed (kt)

	2020	2019
Hydrocarbons plus water	1.17	1.70
Sludge from oil and fuels	1.09	1.80
Solid waste contaminated with hydrocarbons	0.78	0.90
Used oil	1.08	0.50
Hydrocarbon-contaminated soils	0.22	1.40
Electronic waste	0.53	0.11
Rest	0.48	0.49
Total	5.35	6.90

■ Products sold for reuse (kt)

	2020	2019
Ashes	91.9	18.1
Cinders	12.9	2.5
Sludge from oil and fuels	0.8	1.8
Total	105.6	22.4

In 2020 the total amount of waste generated increased by 3%, mainly accounted for by non-hazardous waste from the increased operation of coal-fired power stations that produce the ash and cinders. The generation of hazardous waste, on the other hand, decreased by 22%. As regards recycling, there was a 6% improvement compared to 2019, amounting to 61% recovery or recycling of waste. The sale and recovery of ash and cinders should also be highlighted, as in 2020 ash generated in previous years was sold for recovery.

In 2020, Naturgy continued with the removal of polychlorinated biphenyls (PCB). Currently, 112 tonnes of dielectric oils with PCBs still have to be removed.

With regard to food waste, after the materiality analysis carried out, this aspect has not been among the most relevant issues, nor other relevant issues for the company, which is why no information is included in this regard.

Renewable gas

Another strategic line of action in the circular economy is the numerous initiatives being conducted in the field of renewable gases, with the aim of promoting this new energy vector.

Moreover, this circular model has other advantages, such as improving the environmental management of such conflicting organic waste as: livestock waste, slurry, manure, poultry manure, sewage sludge or organic fraction of domestic waste, also avoiding the undesirable effects that these have on people and biodiversity through water pollution, unpleasant odours, etc. From the social point of view, it supports local rural development and the establishment of employment and population in agricultural and livestock environments, reducing external energy dependence and, with it, the country's energy bill.

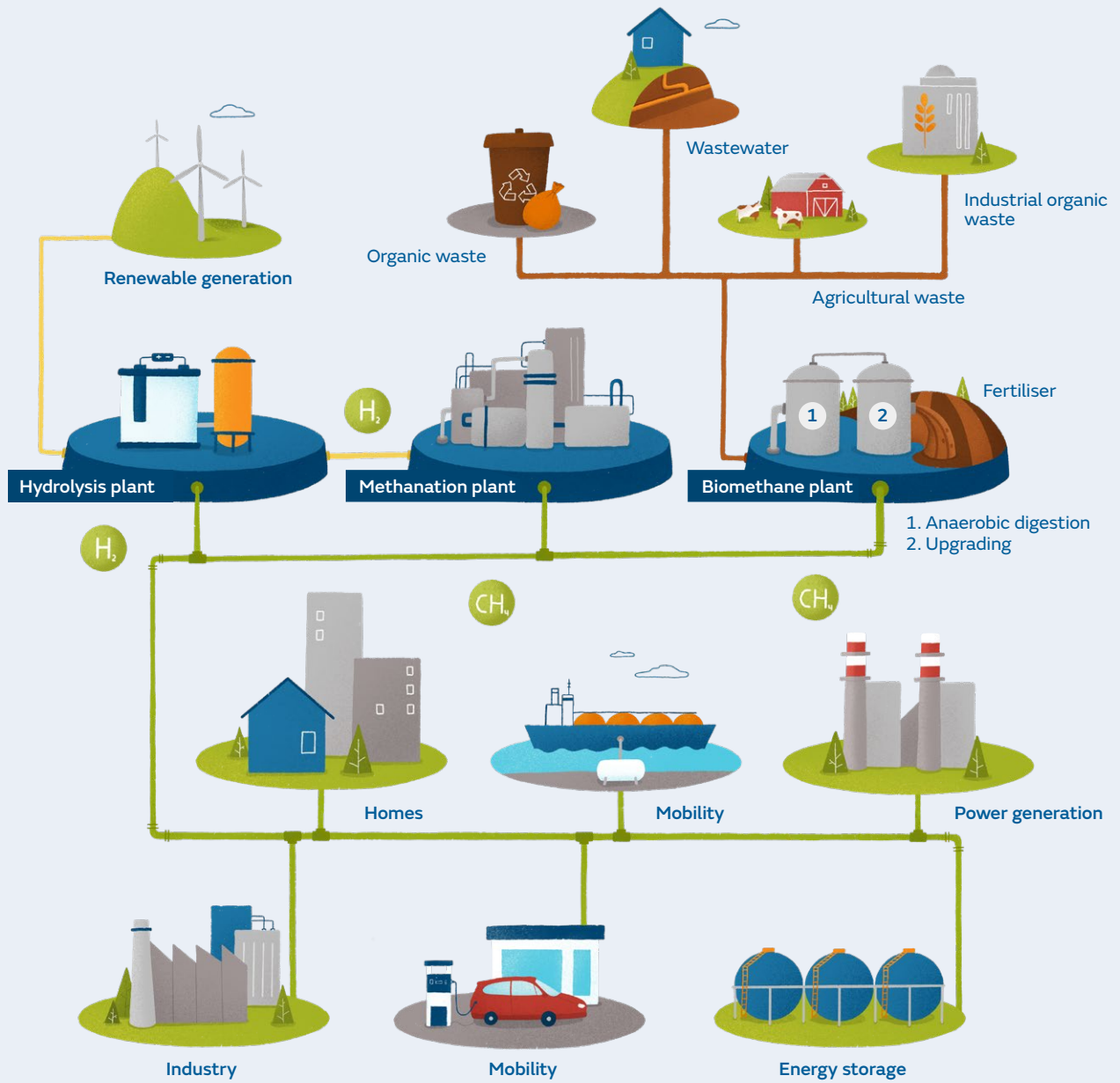
These gases are obtained from raw materials or renewable sources, and there are three types:

- Biogas: from the anaerobic digestion of organic waste, such as household waste, industrial organic waste, sewage sludge or livestock waste. A by-product is generated in the process that is an excellent fertiliser, in circular economy logic.
- Synthetic gas or syngas: obtained by thermal gasification of lignocellulosic organic matter, such as forest and agricultural waste, which helps prevent fires.
- Green hydrogen: produced from renewable electricity by electrolysis of water, it allows the storage of this energy in the existing gas networks (in Spain, the gas system has the capacity to store the equivalent of the country's electricity consumption of 2 months). This alternative avoids the consumption of materials, energy and waste associated with batteries and, unlike the latter, allows energy storage for lengthy periods to cover seasonal differences in national energy demand. Based on studies, green hydrogen could be injected into gas networks up to a maximum of 20-30% of their capacity. Through a methanation process, H₂ binds to captured CO₂ from industry or generation and is transformed into methane, which can be injected into the gas system without any limitations.

From the social point of view, it **supports local rural development** and the establishment of employment and population in agricultural and livestock environments, reducing external energy dependence and, with it, the country's energy bill.

Renewable gas

Today's circular energy for a decarbonised future



All renewable gases contribute help reduce greenhouse gas (GHG) emissions and are key to the decarbonisation of the energy system, by avoiding CO₂ emissions from substituted natural gas. The potential for reducing GHG emissions could reach 35 MtCO₂eq/year i.e. more than 15% of the total emission forecast for 2030 in Spain according to the Integrated National Energy and Climate Plan (PNIEC).

Renewable gases produced from organic waste are not only carbon neutral but can even have negative CO₂ emissions, acting as a sink and removing greenhouse gases from the atmosphere. This is the case of biomethane from livestock waste, the current management of which presents GHG emissions. The transformation of this waste into renewable gas can avoid emitting 200% of the CO₂ emissions corresponding to the substituted fossil fuel into the atmosphere.

Since 2014, Naturgy has been developing innovative projects to understand and reduce production costs and to promote the injection of renewable gases into the gas network. These projects include:

- Life Methamorphosis (Lleida). Transformation of pig slurry into biomethane. The biomethane is used to power two cars, one of which has travelled more than 100,000 km on this fuel alone. Future injection into the gas network is planned. Production 135 m³/h of biomethane (11.6 GWh/year), equivalent to the consumption of 2,320 homes. Emissions savings of 2,900 t CO₂. Naturgy investment: Euros 1.4 million.
- Mixed renewable natural gas unit (A Coruña). Treatment of the sludge from the wastewater of the Bens WWTP. The biomethane is used on a bus in A Coruña that has travelled more than 100,000 km propelled by the city's own waste. Production 65 m³/h of biomethane (5.5 GWh/year), equivalent to the consumption of 1,100 homes. Emissions savings of 1,356 t CO₂. Naturgy investment: Euros 1.1 million. The facilities for injecting the biomethane into the gas distribution network are currently under construction.
- Butarque WWTP (Madrid). Wastewater sludge treatment and upgrading to biomethane with injection into the distribution network, for the first time in Spain, in October 2019. Benchmark project for the elaboration of the "Model of Renewable Gas Certificates of Origin". Production 56 m³/h (5 GWh/year), equivalent to the consumption of 1,000 homes. Saving of 1,266 tonnes of CO₂ emissions. Naturgy investment: Euros 0.8 million.
- COSIN (P2G). EDAR (Sabadell). Research project for the production of biomethane using technology of catalytic hydrogenation of CO₂, which uses H₂ produced by electrolysis and CO₂ from a biological source, resulting in a renewable gas with negative GHG emissions. Naturgy investment: Euros 0.8 million.
- Elena landfill (Barcelona). Project under construction that will take advantage of the biogas generated in the landfill, eliminating its torch burn off by upgrading to biomethane. Treatment of up to 400 m³/h of biogas in the first years of operation, equivalent to the consumption of 4,000 homes. Naturgy investment: Euros 2.2 million.

Circular economy and eco-efficiency: achievements and highlights in 2020

Lines of action	2020 milestones
Reduction in consumption of raw materials and toxic products	<p>Promotion of electronic invoicing among customers to eliminate paper consumption and the pollution associated with the paper life cycle. Naturgy's online turnover has experienced considerable growth, achieving 2.5 million contracts with online turnover in Spain by 2020 (32% of the total), which means an estimated reduction of more than 5,000 tons of paper per year.</p> <p>Although most of the reduction in paper consumption in offices has been due to remote working as a result of the COVID situation, the use of recycled paper has continued, with controls and limits on the number of pages printed per employee, with awareness raising among users about the conscious use of resources. Likewise, new processes have been digitalised, avoiding paper formats with the associated savings.</p> <p>Reduction in the use of plastics, replacing plastic cups with paper cups.</p> <p>Efficiency plan for the reduction of natural gas odorant consumption in Mexico.</p> <p>Improvement in the cleaning plans for water treatment plants in thermal power stations in Spain and in the reagent dosing systems, with savings in the consumption of chemical products.</p> <p>Replacement of mineral oils in hydroelectric power stations in Spain with others that are biodegradable and not toxic to the environment.</p> <p>Inclusion in the criteria for contracting waste management in electricity distribution in Spain of the obligatory nature of waste recovery.</p>
Reduction of water consumption	<p>In six of Naturgy's combined-cycle plants, a total of 20 hm³ of recycled water from urban discharges or other industrial activities has been reused. Two of the plants reuse the discharge of vaporisation water from regasification plants (combined-cycle power stations of the Port of Barcelona and Cartagena, in Spain). The other four (Hermosillo, Naco and Durango combined-cycle power stations in Mexico and Málaga in Spain) reuse urban waste water, avoiding the use of 4.6 hm³ of fresh water in high water stress areas.</p> <p>Optimisation of water treatment systems and reuse of water within combined-cycle plants, avoiding discharges. For example, at the Hermosillo combined-cycle plant (Mexico), more than 300,000 m³ have been recovered by building a channel to increase the distance travelled by a stream of effluents containing chlorine, which makes it possible to reduce this biocide and reuse it in the biological process of water treatment.</p> <p>Eco-washing of the fleet without water.</p>
Promoting renewable gas	<p>Injection of 2.02 GWh into the Spanish gas networks in 2020 from the EDAR Butarque project, which is part of the European ECOGATE initiative.</p> <p>Construction of the biomethane plant at the Elena landfill and the injection unit at the Bens WWTP, with the aim of being able to inject renewable gas into the network at the beginning of 2021.</p>

Continues >

Lines of action	2020 milestones
Reduction in the production of waste	<p>Commercialisation and recovery of ashes and slag produced in coal-fired power stations, with up to 100% in some facilities.</p> <p>On-site recovery of waste, as for example in Limeixa, where 792 tonnes of materials from demolition have been reused, or in the generation plants in Spain, where work clothing items have been reused as rags.</p>
Raising awareness about responsible consumption	<p>Digital training in energy efficiency in Argentina for students and teachers on the correct use of gas, electricity, water and paper. The portal was launched in July 2020, and has since been visited by 8,006 users for 9,084 sessions.</p>

4. Biodiversity and 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. For this purpose, the following lines of action have been developed:

- Minimising impact on biodiversity and moving towards no net loss, with a preventive approach (hierarchy of impact mitigation), implementing best practices and promoting the creation of natural capital.
- Developing natural capital as a net value tool contributing to biodiversity in decision-making.

To conduct these activities, Naturgy needs a number of services provided by nature, also called ecosystem services. The identification of these dependencies at corporate level is highly relevant as it enables operations that are vulnerable to changes in the quantity and quality of these services to be identified with the implementation of actions aimed at their protection and conservation. The following table identifies the main dependencies identified:



Dependencies	Transmission and distribution			Electricity generation			
	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
Provision of non-mineral resources as fuel (natural gas).	■	■		■			
Supply of minerals and materials for the construction and operation of facilities.	■	■	■	■	■	■	■
Wind energy supply.						■	
Solar energy supply.							■
Water supply.				■	■		
Climate regulation: carbon sequestration in the seas, soil and biomass.	■	■		■			
Regulation of the chemical composition of the atmosphere: processes of diffusion of pollutants.				■			
Regulation and maintenance of the flow rate and the physical, chemical and biological conditions of the water, including dilution processes.				■	■		
Flood control and protection.	■		■	■	■	■	■
Soil erosion protection and soil stabilisation.	■	■	■	■	■	■	■

Our efficient management of natural capital is based both on improving the impact on ecosystems by performing preliminary studies for new facilities, reducing our emissions, resource consumption or waste production, and on developing direct actions on biodiversity.

As far as the new facilities are concerned, the development of Naturgy's activities requires land occupation. When the facilities are being designed, the precautionary principle is applied and prior environmental impact studies are conducted, in which the surroundings of the sites are analysed, with a special focus on protected areas of high ecological value, adapting the location and 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. 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 the stakeholders present in the places where it operates.

The following table summarises the main impacts on biodiversity that may arise from the company's operation at the sites and in adjacent areas:

■ Potential impacts on biodiversity

	Transmission and distribution			Electricity generation			
	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar
<p>Construction and decommissioning of facilities</p> <p>The construction and decommissioning of facilities can affect the vegetation and fauna present in the environment. The main causes of these impacts are the local removal of vegetation, lower air quality, increased noise levels, accidental spills and the presence of personnel during the work period.</p>	■	■	■	■	■	■	■
<p>Air pollution, radiation and noise</p> <p>Atmospheric emissions (mainly from the operation of thermal power stations), noise and electromagnetic fields from power lines and substations can affect the abiotic and biotic environment around the facilities.</p>	■	■	■	■	■	■	■
<p>Introduction of invasive species, pests and pathogens</p> <p>No operations involve the introduction of exotic invasive species. The only risk associated with these species could be their proliferation owing to involuntary transfer or the creation of favourable conditions for their establishment.</p>	■	■	■	■	■	■	■
<p>Species reduction</p> <p>The construction and operation of plants and infrastructure can affect certain species, although not to such a degree that they totally disappear. The most affected species are birds and bats around power lines and wind farms, aquatic fauna in the case of hydroelectric plants and steppe birds in photovoltaic facilities.</p>	■	■	■	■	■	■	■

Continues >

	Transmission and distribution			Electricity generation			
	Upstream	Natural gas	Electricity	Thermal	Hydroelectric	Wind	Solar

Habitat transformation

Changes in the use of land and the permanent presence of facilities in the natural areas may cause impacts on the affected habitats. The reservoirs associated with hydroelectric power stations can cause the most significant transformations with regard to biodiversity, which may be both negative or positive.



Changes in ecological processes outside of their natural range of variation

The consumption of water or liquid discharges caused mainly by the operation of thermal generation plants, and changes of natural river systems in hydroelectric plants can induce changes in the variables of the environment that affect the aquatic ecosystem.



Type of impact

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

To minimise these effects, the company applies operational control procedures and, at those facilities where there can be greater potential risk, we carry out environmental assessment studies and define environmental emergency plans to prevent the incident before it occurs, or to minimise any damage. We also regularly perform environmental emergency drills to test the procedures that have been defined.

In addition, there is a Geographic Information System, which integrates both the natural protected areas in each country and the facilities and biodiversity initiatives carried out. This tool allows the identification, quantification, management and monitoring of impacts on biodiversity.

As a cross-cutting measure, a specific working group, in which all businesses and geographical areas participate, coordinates activities related to biodiversity and natural capital, to promote the dissemination of good practices. Likewise, company employees and their families are invited to participate in environmental volunteer programmes that encourage the development of individual attitudes and behaviour of respect and protection of the natural environment.

In terms of awareness, we collaborate with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives and in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital.

The following table shows the total surface area of facilities located within or adjacent to areas of high biodiversity or protected natural spaces. In order to determine the facilities located adjacent to these types of spaces, consideration has been given not only to their physical limitations but also to a number of specific impact ratios according to type of facility. Consequently, the infrastructure is classified as interior (within areas of high biodiversity), adjacent (radius of impact within the protected space) or exterior when it is outside.

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

■ Operations centres owned, leased or managed located within or adjacent to protected areas or zones of great value for biodiversity outside protected areas

Business	Type of operation	Location with regard to the protected area	Area (ha)		Value of biodiversity 2020
			2020	2019	
Gas	Exploration	Within the area	494	495	IBA, LIC, MAB, PN, RAMSAR, ZEPA, ZIC.
	Transmission and distribution	Within the area and next to the area	6,229	6,376	ANP, APA, CC, HC, HP, IBA, LIC, MAB, MNA, PE, PEIN, PJN, PJNM, PN, PNA, PNAM, PPG, PPU, PR, RAMSAR, RB, RE, RN, RNP, ZECIC, ZEPA, ZEPVN, ZH, ZIC, ZPECP, ZPHE, ZREEN, ZSCE.
	Generation	Within the area and next to the area	20,695	20,666	CE, IBA, LIC, MAB, PJN, PNA, RAMPE, RAMSAR, ZEPA, ZEPVN, ZH.
Electricity	Transmission and distribution	Within the area and next to the area	28,666	28,241	ACR, AR, ARM, AUM, BNP, BP, IBA, LIC, M, MAB, MN, MNA, PI, PJN, PN, PNA, PR, RAMSAR, RF, RFS, RH, RN, RNA, RNPV, RVS, SN, ZEPA, ZEPVN, ZIC.

ACR: Regional Aquifers (Chile); AICA: Areas of Importance for Bird Conservation (Mexico); ANP: Protected Natural Area (Mexico); APA: Environmental Protection Area (Brazil); RA: Recreation Area (Panama); ARM: Managed Resources Area (Panama); ASP: Protected wildlife area (Chile); ASPP: Private protected wildlife area (Chile); AUM: Multi-use Area (Panama); BNP: Protected National Assets (Chile); PF: Protected Forest (Panama); CB: Biological corridor (Chile); CC: Contrafuerte Cordillerano (Chile); CE: Ecological Corridor (Dominican Republic); EN: Natural Enclave (Spain); NPA: Batuco Wetland (Chile); HP: Protected Wetland (Spain); IBA: Important Bird Area (important areas for bird and biodiversity conservation) (International); SCI: Site of Community importance (Spain); M: Microreserve (Spain); MAB: Biosphere Reserve (Spain, Chile); MNA: Natural monument (Chile, Panama, Spain, Mexico); PE: State Park (Mexico); PEIN: Special Protection Plan (Spain); PI: International Park (Panama); PJN: Natural Site (Spain); PJNIN: Natural Site of National Interest (Spain); PJNM: Natural Municipal Site (Spain); PN: National Park (Brazil, Mexico, Spain, Panama, Argentina); PNA: Natural Park (Panama, Spain); PNAM: Municipal Natural Park (Argentina); PPG: Protected Landscape (Spain); PPU: Periurban Park (Spain); PR: Regional Park (Spain); RAMPE: Spanish Network of Marine Protected Areas (Spain); RAMSAR: Wetlands of international importance especially as waterbird habitat (International); RB: Biological reserve (Brazil); RE: Mining Reserve (Brazil); RF: River Reserve (Spain); RFS: Forest Reserve (Panama); RH: Water Reserve (Panama); RNA: Natural Reserve (Chile); RN: Nature Reserve (Morocco, Spain); RNC: Partial Nature Reserve (Spain); RNP: Partial Nature Reserve (Spain); RNPV: Private Nature Reserve (Chile); RVS: Wildlife Refuge (Panama); SE: Strategic site (Chile); SN: Nature Sanctuary (Chile); SP: Priority Site (Chile); WET: Panoramic route (Dominican Republic); ZECIC: Special Conservation Areas (Spain); ZECIC: Special Conservation Area of Community Importance (Spain); SPA: Special Protection Areas for birds (Spain); ZEPVN: Special Area for the Protection of Natural Values (Spain); WET: Wetlands (Spain); ZIC: Area of Community Importance (Spain); ZPECP: Zone of Ecological Preservation of Population Centres (Mexico); ZPHE: Hydrological and Ecological Protection Zone (Mexico); ZREEN: Natura 2000 European Ecological Network Area (Spain); ZSCE: Zone Subject to Ecological Conservation (Mexico).

The variation in the areas affected is due both to the construction of new infrastructure and to changes in the boundaries and extension of areas of protected natural spaces. When analysing the table above, it is also important to consider that 19,349 ha, i.e. around a third of the surface area within or next to protected areas, refers to hydroelectric power stations in Spain that were built after 1910 and before the protection regimes for these areas existed. In fact, many of these reservoirs, previous to the protection figure, constitute natural highly valuable aquatic spaces, which have created the natural wealth in biodiversity that caused the area to be subsequently granted environmental protection.

Another indicator used is the number of protected species that potentially have their habitat in the areas affected by the operations.

Number of species whose habitats are in areas affected by operations

■ IUCN Red List species and national conservation list species with habitats in areas affected by operations

	2020			
	Critically endangered species	Endangered species	Vulnerable species	Almost threatened species
Mammals	6	10	32	17
Birds	18	8	45	42
Reptiles	12	13	15	13
Amphibians	20	18	20	15
Fish	18	22	32	12

The International Union for Conservation of Nature (IUCN) conducts ongoing reviews of species listings. It should be noted that in 2020 there has been a significant increase in the number of species listed by IUCN compared to the previous year.

In order to reduce and compensate the negative impacts on biodiversity, Naturgy is developing various actions. The following are examples of initiatives that are being put into place to compensate or reduce the negative impacts on biodiversity:

- The regular capture of salmon, shad, eel and lamprey reaching the Frieira hydroelectric power station was continued in collaboration with the Xunta de Galicia. The captured specimens are used to restock the tributaries of the lower course of the River Miño that lie within a protected area, from where they will be able to return to the sea.
- The systematic removal of carrion (dead livestock...) is carried out in and around wind farms in order to prevent bird collisions, particularly of certain birds of prey such as vultures, which are drawn to the carcasses to feed.

- Actions are being taken to reintroduce the bearded vulture (an endangered species) into the protected natural spaces of the Alto Tajo and Serranía de Cuenca. The project, which involves such activities as conducting prior studies and the installation of feeding points, is being carried out in coordination with the General Directorate of Biodiversity and Environmental Quality of the Ministry for Ecological Transition and the Demographic Challenge, the provincial authorities of Guadalajara and Cuenca, and the representatives of the protected areas.
- A study was conducted in and around wind farms located in the province of Guadalajara to reduce collisions involving birds of prey. Among the actions taken were the colour-marking, biometric study and ringing of griffon vultures (an endangered species) and subsequent monitoring using GPS equipment. In addition, a kestrel tower was built to encourage the establishment of a stable colony of lesser kestrels (an endangered species), in collaboration with the provincial authorities.
- Installation of the DT Bird, a bird monitoring and mortality mitigation system that has three functions: it automatically detects the presence of birds in real time by means of artificial vision; it emits warning sounds to scare off birds at potential risk of collision; and, finally, it automatically stops and restarts the wind turbine according to the risk of collision.

Different environmental restoration actions have also been carried out. The following table is a summary of the most important actions taken in 2020:

Habitats protected or restored

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species
Brazil	Gas distribution	Regular maintenance to ensure the establishment of the specimens planted in the region of Sao Paolo for the recovery of the Atlantic Forest.	1	-
Brazil	Renewable generation	Revegetation in and upkeep of the surroundings of new photovoltaic plants.	21	-
Chile	Gas distribution	Maintenance irrigation to guarantee the survival of the specimens planted in the area affected by the construction of gas networks, inside the ecological preservation zone of Club de Campo Peñalolen, in collaboration with the National Forest Corporation.	3	-

Continues >

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species
Spain	Renewable generation	Continued actions to improve the habitat of the capercaillie (an endangered species) in the Lago de Sanabria Natural Park, in partnership with Fundación Patrimonio Natural: planting, actions on the tree and shrub layers and fire prevention measures.	125	Yes
Spain	Renewable generation	Support to continue the practice of lavandin (hybrid lavender) farming in order to protect the Dupont's lark (an endangered species) in partnership with Fundación Global Nature and Fundación Patrimonio Natural.	11	Yes
Spain	Renewable generation	Continuation of the project for the reintroduction of the grey partridge in the Lago de Sanabria Natural Park in partnership with Fundación Patrimonio Natural. The project consists of the creation of a mosaic of grassland and scrubland in difficult-to-reach alpine areas and cleaning of water points to make them available to the species.	106	Yes
Spain	Renewable generation	In the areas surrounding new wind farms, restoration and revegetation work is being carried out on land altered or affected by building works to encourage the recovery of soil and vegetation.	55	
Spain	Renewable generation	Different measures were taken in the areas surrounding new photovoltaic plants. In the surroundings of livestock routes and drovers' roads, there was reforestation work and the construction of watering holes and drinking troughs to encourage biodiversity (amphibians and reptiles) and also as water points for birds and livestock. Kestrel towers and nesting boxes have also been built for different species (kestrels and owl species), as well as perches for birds of prey.	11	Partially

Continues >

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species
Spain	Environmental restoration of the former Limeixa mine	Maintenance of the restored Lake Meirama, formerly occupied by an old mine and now is the largest artificial lake in Europe. Thanks to restoration and the almost half a million trees planted, it has become a prime area for biodiversity. According to the inventory made by the University of Santiago de Compostela, a total of 839 animal and plant species have been identified, 5% of which are endemic. Maintenance work and invasive species removal were carried out.	1,617	-
Mexico	Generation (combined cycle)	Upkeep and protection actions were carried out in a reforested area in the community of San Antonio, Municipality of San Miguel Chimalapa.	32	-
Total restored area 2020 (ha)				1,982
Target restored area 2020 (ha)				>1,600

Biodiversity and natural capital: achievements and highlights in 2020

Lines of action	2020 milestones
Biodiversity protection	265 biodiversity initiatives in course on an international level, 25% of which are voluntary.
Environmental studies	<p>112 studies have been conducted, particularly in the area of electricity generation facilities (thermal, hydroelectric and wind farms) and electric distribution in order to monitor the environmental and ecological status of the surrounding areas. In the case of thermal and hydraulic power stations, sampling campaigns have been carried out to determine the physical-chemical and biological quality of the aquatic environment (rivers, reservoirs, etc.).</p> <p>Recent studies confirmed the situation of normality observed in recent years, and concluded that the studied facilities had an acceptable impact on their environment.</p>
Progress towards no net loss of biodiversity	In 2020, environmental restoration actions were carried out on 1,982 ha. 12% of this area corresponds to protected areas or habitats of protected species.





We promote
diversity and equal
opportunities.
We are part of
a proactive and
talented team
and we are passionate
about our project.

09

Interest in people

Naturgy's contribution to SDG



09. Interest in people



What does this mean for Naturgy? Risks and management approach

For Naturgy it is essential to promote a quality and safe working environment, prioritising the personal and professional development of its employees. Consistent with this view, 98.7% of their contracts are of an indefinite nature. It also promotes a working environment based on respect, dialogue, appreciation of diversity and, of course, responsible behaviour. In this regard, Naturgy's Code of Ethics, which is compulsory throughout the company, sets out the guidelines governing the ethical behaviour of all employees in their daily work and, specifically, with regard to the relations and interactions it maintains with all its stakeholders.

Within this framework, one of the main risks related to staff issues is that of suffering any type of discrimination or inequality, on grounds of gender, ethnic origin, age, professional profile, or others. In this sense, Naturgy's commitment to its employees is reinforced with:

- 1. Gender Equality Policy and Protocol for the Prevention of Sexual and Labour-related Harassment:** these set out the principles on which labour relations must be developed, as well as defining safe channels for the detection of situations that may not be in accordance with the principles of respect for difference, equality and inclusion. These measures include preventive and operational actions, with formal procedures and deadlines that at all times provide guarantees of protection and support for employees.
- 2. Integrated diversity management:** through programmes that reflect the commitment to, and recognition and promotion of the value of diversity and inclusion in terms of gender, age and disability.

Specifically in terms of gender diversity, Naturgy faces the challenge of balancing the presence of men and women in its management structure, based on starting from the current situation until it exceeds 40% in 2025. To this end, together with the impetus given by the new organisational structure, at the end of 2020 a specific programme for management of diverse talent has been defined, to contribute to the gender balance of Naturgy's management and executive staff.

In the area of generational diversity, Naturgy aims to manage the risk of natural ageing of the staff, with an average age of around 44. Faced with this forecast scenario, once again, in addition to the progress that the new organisational model has meant, Naturgy will design an intergenerational talent strategy, with

the emphasis on young talent and with the aim of balancing the generational segments, responding to the generational profile of the society in which it operates.

The diverse talent management strategy also incorporates the redefinition of a more attractive value proposal, in tune with the new generations, and the company's industrial plan, through a more flexible, rotational and experiential employee journey.

In the area of disability, the company is constantly monitoring compliance with its objective of a 2.5% presence in the global staff, through:

- Mobility of employees with disabilities in the same field.
- Direct employment recruitment.
- Alternative measures to meeting the reserve amount.

3. Inclusive training: Naturgy has a training offer that integrates diversity and inclusion issues through awareness modules, specialised training and development programmes, which provide its professionals with the knowledge and tools to operate in a dynamic and inclusive context. These include programmes in the fields of:

- Intergenerational and inclusive leadership.
- Diversity management.
- Unconscious biases.
- Regulations.



What is our commitment?

- To apply best practices in identifying, attracting and retaining the talent necessary for the development of the businesses, ensuring the principles of fairness and non-discrimination on any grounds whatsoever (disability, age, gender, ethnic origin, work history, etc.).
- To encourage the professional development of people as part of the talent management model, ensuring that all professionals have the means, programmes and tools necessary to foster their skills and expertise.
- To promote a motivational work setting that guarantees internal recognition of the culture of effort, the autonomy required to be able to create, develop and innovate, and an overall framework of compensation that is commensurate with this.

- To promote the effective introduction of flexibility mechanisms that facilitate the balance between professional and personal life, and which favour the human and social development of people.
- To promote diversity and equal opportunities in an environment of respect, understanding and ongoing dialogue, with a special focus on the inclusion of disabled persons and extending this commitment to suppliers and collaborating companies.
- To foster constant liaison between the company and workers' representatives that enables feedback in order to take decisions.



Evolution and results 2020

■ Interest in people

	2020	2019
Number of employees at 31/12/2020	10,540	11,847
Men/Women (%)	67/33	68/32
Women in management posts (%)	23	29
Personnel costs (million euro)	798	924
Annual investment in training (million euro)	5	7
Employees covered by collective bargaining agreements (%)	74.5	74

1. Commitment to people

Summary of awards obtained in 2020

Seals and certificates

Global FRC Certification

Since 2013 Naturgy has been the first company worldwide to obtain the global FRC Certificate, which recognises the achievements made in balancing the personal and professional life of its employees, enabling their human and social development.



Equality in Employment Seal (DIE)

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



Top Employer Spain 2020 Certification

Naturgy continues to be part of the group of leading companies in Spain because of the excellent conditions and environment offered to its employees and because of its special commitment and interest in people and their development.



CLIP certification

In 2018, the CLIP (Corporate Learning Improvement Process) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations, was renewed for a period of 5 years.



Code of Generational Diversity Principle Certificate

In recognition of Naturgy's strategic focus on people management, based on equal opportunities, non-discrimination and respect for generational diversity.



Bequal Certification

In recognition of the management of excellence in diversity in different capabilities.



Healthy Company

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



Rankings

Actualidad Económica Ranking

Annual ranking of the 100 best companies in Spain to work for, in which Naturgy is ranked number 33. Among the most highly valued areas are Talent Management, Compensation and Remuneration, and the Environmental Protection Policy.



Top30 companies in Spain committed to Diversity and Equality

Naturgy is part of the Top30 companies in Spain committed to Diversity and Equality in the "VariableD 2021" study, which includes the best practices for promoting the value of "difference" to achieve diverse and innovative teams with adequate diversity management.



Universum Ranking

Naturgy ranks 22nd among the most attractive companies for students of Natural Sciences and in the top 50 among engineering students in Spain.



2. Our team

Naturgy offers its employees stable, quality employment together with a solid, structured and attractive professional career. The company has a global model of homogeneous selection for all the businesses and countries where it operates, enabling it to ensure best practices in the identification, recruitment and retention of talent.

The rigour and professionalism of the people that form part of Naturgy, the interest in ongoing learning and self-development, the innovative spirit, as well as the sustainable commitment and involvement in the corporate objectives, are features of the profile of professionals in all geographies and all businesses.

■ Distribution of employees by age, country, gender and professional category

2020

	No. of employees	Age			Management team		Middle managers		Technicians		Operators	
		18-35 (%)	36-50 (%)	>50 (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)
Argentina	1,118	20.8	38.2	41.1	0.2	0.0	16.3	4.6	14.8	7.3	42.1	14.8
Australia	11	36.4	54.5	9.1	0.0	0.0	45.5	0.0	9.1	0.0	45.5	0.0
Belgium	0	-	-	-	-	-	-	-	-	-	-	-
Brazil	423	18.0	67.6	14.4	0.0	0.5	13.2	10.6	20.6	15.8	27.4	11.8
Chile	2,193	17.3	50.1	32.6	0.3	0.0	16.6	4.6	33.0	11.7	22.2	11.7
Colombia	7	0	57.1	42.9	0.0	0.0	28.6	71.4	0.0	0.0	0.0	0.0
Costa Rica	19	15.8	52.6	31.6	0.0	0.0	5.3	0.0	10.5	0.0	78.9	5.3
Spain	5,318	7.8	64.7	27.5	1.3	0.4	20.8	8.6	22.6	18.6	18.1	9.5
France	43	48.8	51.2	0.0	0.0	0.0	27.9	9.3	16.3	41.9	0.0	4.7
Netherlands	1	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Ireland	30	36.7	50.0	13.3	0.0	0.0	23.3	6.7	43.3	23.3	3.3	0.0
Israel	16	62.5	31.3	6.3	0.0	0.0	25.0	0.0	50.0	6.3	18.8	0.0
Luxembourg	1	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Morocco	90	5.6	35.6	58.9	0.0	0.0	47.8	3.3	11.1	3.3	24.4	10.0
Mexico	783	29.1	60.0	10.9	0.3	0.0	26.6	7.0	24.5	10.9	21.3	9.5
Panama	327	35.5	40.1	24.5	0.0	0.0	30.0	15.0	15.6	12.5	19.9	7.0
Peru	0	-	-	-	-	-	-	-	-	-	-	-
Portugal	15	20.0	73.3	6.7	0.0	0.0	0.0	6.7	26.7	66.7	0.0	0.0
Puerto Rico	4	25.0	25.0	50.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	50.0
Dominican Republic	74	12.2	60.8	27.0	0.0	0.0	25.7	12.2	2.7	8.1	48.6	2.7
Singapore	7	71.4	28.6	0.0	0.0	0.0	42.9	0.0	28.6	28.6	0.0	0.0
Uganda	60	66.7	28.3	5.0	0.0	0.0	38.3	6.7	5.0	0.0	45.0	5.0
Total	10,540	14.8	57.1	28.1	0.8	0.2	20.3	7.5	23.5	14.8	22.5	10.4

2019

	No. of employees	Age			Management team		Middle managers		Technicians		Operators	
		18-35 (%)	36-50 (%)	>50 (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)
Argentina	1,175	23.8	38	38.2	3.7	0.9	12.4	4.2	14.9	6.8	42.1	15
Australia	10	33.3	55.6	11.1	-	-	11.1	-	22.2	-	55.6	11.1
Belgium	3	100	-	-	33.3	-	-	33.3	-	33.3	-	-
Brazil	456	21.5	63.5	14.9	4.8	3.7	8.4	5.9	21.3	16.3	27.5	12.1
Chile	2,471	21	48.9	30.1	2.9	0.8	12.9	3.1	31.8	10.6	25.2	12.7
Colombia	71	32.4	50.7	16.9	8.5	15.5	5.6	9.9	16.9	25.4	8.5	9.9
Costa Rica	20	15.8	63.2	21.1	-	-	5.3	-	10.5	-	78.9	5.3
Spain	6,017	9.2	61.8	29	10.9	4.6	15.2	4.9	20.5	16.2	17.5	10.3
France	53	54.7	45.3	-	13.2	3.8	9.4	5.7	24.5	35.8	1.9	5.7
Netherlands	7	50	50	-	-	-	16.7	16.7	33.3	16.7	16.7	-
Ireland	37	43.8	46.9	9.4	12.5	-	12.5	6.3	40.6	25	3.1	-
Israel	16	71.4	21.4	7.1	-	-	21.4	7.1	50	7.1	14.3	-
Morocco	93	8.6	36.6	54.8	4.3	1.1	40.9	2.2	11.8	2.2	26.9	10.8
Mexico	874	32.7	58	9.2	5.8	2.2	17.9	3.9	26.8	11	22.3	10.1
Panama	357	35.3	38.1	26.6	4.8	2.5	23.4	12.4	14.4	9.9	22.3	10.2
Peru	21	42.9	52.4	4.8	-	4.8	14.3	4.8	33.3	14.3	9.5	19
Portugal	17	29.4	70.6	-	-	5.9	-	-	23.5	52.9	-	17.6
Puerto Rico	4	25	25	50	50	-	-	-	-	-	-	50
Dominican Republic	75	14.7	65.3	20	-	2.7	25.3	9.3	2.7	8	49.3	2.7
Singapore	12	75	25	-	25	-	-	-	50	12.5	-	12.5
Uganda	58	66.7	26.3	7	1.8	-	35.1	3.5	5.3	-	45.6	8.8
Total	11,847	17.2	55.1	27.7	7.4	3.1	14.8	4.7	22.5	13.4	22.9	11.2

By 2020, the professional classification of the management level was adjusted in line with the simplification of the organisational structure, a process that aims to provide centralised services to gain efficiency, increase automation, digitalisation and simplify management to reduce overlaps, as well as to promote empowerment and provide greater autonomy in monitoring with the aim of improving communication and teamwork.

Total number and distribution of types of employment contract, annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional category

■ Breakdown of staff by contract type (%)

			2020	2019
Argentina	Permanent contracts	Men	73.3	73.1
		Women	26.7	26.9
Australia	Permanent contracts	Men	100	88.9
		Women	0	11.1
Belgium	Permanent contracts	Men	0	0
		Women	0	100
Brazil	Permanent contracts	Men	61.2	62
		Women	38.8	38
Chile	Permanent contracts	Men	72	72.8
		Women	28	27.2
Colombia	Permanent contracts	Men	28.6	14.1
		Women	71.4	21.1
	Temporary contracts	Men	0	25.4
		Women	0	39.4
Costa Rica	Permanent contracts	Men	94.7	94.7
		Women	5.3	5.3
Spain	Permanent contracts	Men	62.9	63.8
		Women	37.1	36
	Temporary contracts	Men	0	0.2
		Women	0	0
France	Permanent contracts	Men	44.2	49.1
		Women	55.8	50.9
Netherlands	Permanent contracts	Men	0	66.7
		Women	100	33.3
Ireland	Permanent contracts	Men	70	68.7
		Women	30	31.3

Continues >

			2020	2019
Israel	Permanent contracts	Men	93.7	85.7
		Women	6.3	14.3
Luxembourg	Permanent contracts	Men	0	-
		Women	100	-
Morocco	Permanent contracts	Men	82.2	83.9
		Women	16.7	16.1
	Temporary contracts	Men	1.1	0
		Women	0	0
Mexico	Permanent contracts	Men	61.6	62.1
		Women	21.5	21.5
	Temporary contracts	Men	11.0	10.7
		Women	5.9	5.7
Panama	Permanent contracts	Men	65.4	65
		Women	34.6	35
Peru	Permanent contracts	Men	-	57.1
		Women	-	42.9
Portugal	Permanent contracts	Men	26.7	23.5
		Women	73.3	76.5
Puerto Rico	Permanent contracts	Men	50	50
		Women	50	50
Dominican Republic	Permanent contracts	Men	77	77.3
		Women	23	22.7
Singapore	Permanent contracts	Men	71.4	75
		Women	28.6	25
Uganda	Permanent contracts	Men	88.3	87.7
		Women	10	10.5
	Temporary contracts	Men	0	0
		Women	1.7	1.8
Total	Permanent contracts	Men	66.2	66.5
		Women	32.5	31.8
	Temporary contracts	Men	0.8	1
		Women	0.5	0.7

Note:
Information on temporary contracts is only available in those countries where there are employees under such contracts.

■ Number of contracts by gender and type at 31 December

	2020		
	Men	Women	Total employees
Indefinite full-time	6,981	3,424	10,405
Indefinite part-time	-	-	-
Total indefinite	6,981	3,424	10,405
Temporary full-time	88	47	135
Temporary part-time	-	-	-
Total temporary	88	47	135
Total full-time	7,069	3,471	10,540
Total part-time	-	-	-

■ Annual average of contracts by gender and type

	2020		
	Men	Women	Total employees
Indefinite full-time	7,205	3,502	10,707
Indefinite part-time	0	0	0
Total indefinite	7,205	3,502	10,707
Temporary full-time	99	55	154
Temporary part-time	0	0	0
Total temporary	99	55	154
Total full-time	7,304	3,557	10,861
Total part-time	0	0	0

■ Number of contracts by age and type at 31 December

	2020			
	18-35 years	36-50 years	>50 years	Total employees
Indefinite full-time	1,497	5,952	2,956	10,405
Indefinite part-time	-	-	-	-
Total indefinite	1,497	5,952	2,956	10,405
Temporary full-time	62	70	3	135
Temporary part-time	-	-	-	-
Total temporary	62	70	3	135
Total full-time	1,559	6,022	2,959	10,540
Total part-time	-	-	-	-



■ Annual average of contracts by age and type

	2020			
	18-35 years	36-50 years	>50 years	Total employees
Indefinite full-time	1,671	6,094	2,942	10,707
Indefinite part-time	-	-	-	-
Total indefinite	1,671	6,094	2,942	10,707
Temporary full-time	79	72	3	154
Temporary part-time	-	-	-	-
Total temporary	79	72	3	154
Total full-time	1,750	6,166	2,945	10,861
Total part-time	0	0	0	0

■ Number of contracts by professional category and type at 31 December

	2020				
	Management team	Middle managers	Technicians	Operators	Total employees
Indefinite full-time	106	2,894	3,971	3,434	10,405
Indefinite part-time	-	-	-	-	-
Total indefinite	106	2,894	3,971	3,434	10,405
Temporary full-time	0	30	67	38	135
Temporary part-time	-	-	-	-	-
Total temporary	0	30	67	38	135
Total full-time	106	2,924	4,038	3,472	10,540
Total part-time	-	-	-	-	-

■ Annual average of contracts by professional category and type

	2020				
	Management team	Middle managers	Technicians	Operators	Total employees
Indefinite full-time	109	2,978	4,086	3,534	10,707
Indefinite part-time	0	0	0	0	0
Total indefinite	109	2,978	4,086	3,534	10,707
Temporary full-time	0	34	77	43	154
Temporary part-time	0	0	0	0	0
Total temporary	0	34	77	43	154
Total full-time	109	3,012	4,163	3,577	10,861
Total part-time	0	0	0	0	0

■ Number of contracts by gender and type at 31 December

	2019		
	Men	Women	Total employees
Indefinite full-time	7,751	3,701	11,452
Indefinite part-time	-	-	-
Total indefinite	7,751	3,701	11,452
Temporary full-time	122	80	202
Temporary part-time	-	-	-
Total temporary	122	80	202
Total full-time	7,873	3,781	11,654
Total part-time	-	-	-

■ Annual average of contracts by gender and type

	2019		
	Men	Women	Total employees
Indefinite full-time	8,050	3,667	11,717
Indefinite part-time	0	0	0
Total indefinite	8,050	3,667	11,717
Temporary full-time	135	93	228
Temporary part-time	0	0	0
Total temporary	135	93	228
Total full-time	8,185	3,760	11,945
Total part-time	0	0	0

■ Number of contracts by age and type at 31 December

	2019			
	18-35 years	36-50 years	>50 years	Total employees
Indefinite full-time	1,896	6,336	3,220	11,452
Indefinite part-time	-	-	-	-
Total indefinite	1,896	6,336	3,220	11,452
Temporary full-time	113	84	5	202
Temporary part-time	-	-	-	-
Total temporary	113	84	5	202
Total full-time	2,009	6,420	3,225	11,654
Total part-time	-	-	-	-

■ Annual average of contracts by age and type

	2019			
	18-35 years	36-50 years	>50 years	Total employees
Indefinite full-time	2,093	6,486	3,139	11,718
Indefinite part-time	0	0	0	0
Total indefinite	2,093	6,486	3,139	11,718
Temporary full-time	140	82	6	228
Temporary part-time	0	0	0	0
Total temporary	140	82	6	228
Total full-time	2,233	6,568	3,145	11,946
Total part-time	0	0	0	0

■ Number of contracts by professional category and type at 31 December

	2019				
	Management team	Middle managers	Technicians	Operators	Total employees
Indefinite full-time	1,223	2,240	4,100	3,889	11,452
Indefinite part-time	-	-	-	-	-
Total indefinite	1,223	2,240	4,100	3,889	11,452
Temporary full-time	3	33	91	75	202
Temporary part-time	-	-	-	-	-
Total temporary	3	33	91	75	202
Total full-time	1,226	2,273	4,191	3,964	11,654
Total part-time	-	-	-	-	-

■ Annual average of contracts by professional category and type

	2019				
	Management team	Middle managers	Technicians	Operators	Total employees
Indefinite full-time	1,244	2,319	4,048	4,106	11,717
Indefinite part-time	0	0	0	0	-
Total indefinite	1,244	2,319	4,048	4,106	11,717
Temporary full-time	2	32	98	96	228
Temporary part-time	0	0	0	0	-
Total temporary	2	32	98	96	228
Total full-time	1,246	2,351	4,146	4,202	11,945
Total part-time	0	0	0	0	-

New employee hires and employee rotation

Consideration is given to:

- Rotation index: layoffs/average staff.
- Voluntary rotation index: voluntary layoffs/average staff.

■ Rotation indices

	2020	2019
Rotation (%)	10.9	11.7
Voluntary rotation (%)	1.4	2.7

■ Rotation index by gender and age group (%)

		2020	2019
18-35	Men	11.6%	17.1%
	Women	11.3%	13.7%
36-50	Men	5.7%	8.7%
	Women	4.7%	4.3%
>50	Men	21.8%	20.5%
	Women	22.6%	10.9%

■ Voluntary rotation index by gender and age group (%)

		2020	2019
18-35	Men	4.2%	6.3%
	Women	3.5%	9.0%
36-50	Men	1.2%	2.3%
	Women	1.0%	1.8%
>50	Men	0.6%	0.8%
	Women	0.4%	0.9%

■ Rotation index by country

	Rotation index (%)		Voluntary rotation index (%)	
	2020	2019	2020	2019
Argentina	4.8	2.8	1.2	1.5
Australia	32.2	0.0	32.2	0.0
Belgium	100.0	36.1	100.0	0.0
Brazil	7.6	5.2	1.8	2.8
Chile	12.3	21.1	1.4	3.3
Colombia	100.0	17.0	12.5	13.0
Costa Rica	0.0	5.1	0.0	5.1
Spain	10.5	8.6	0.7	1.4
France	25.0	21.7	18.7	16.7
Netherlands	100.0	28.6	100.0	0.0
Ireland	6.5	25.1	6.5	25.1
Israel	30.8	48.9	30.8	41.9
Luxembourg	0.0	-	0.0	-
Morocco	3.3	1.1	3.3	1.1
Mexico	11.9	17.1	2.2	6.6
Panama	9.4	7.7	2.4	4.9
Portugal	12.6	5.9	6.3	0.0
Puerto Rico	0.0	44.1	0.0	0.0
Dominican Republic	1.3	11.3	0.0	3.8
Singapore	14.1	0.0	14.1	0.0
Uganda	12.2	9.0	12.2	9.0
Total	10.9	11.7	1.4	2.7

Note:

100% is reported when more people left than remained on the staff. This was the case of Belgium, Colombia and the Netherlands in 2020.

■ New employees

	2020	2019
Argentina	0	5
Australia	5	1
Brazil	1	1
Chile	6	0
Spain	35	40
France	2	0
Netherlands	2	1
Ireland	0	2
Israel	6	6
Morocco	0	1
Mexico	15	32
Panama	5	19
Singapore	0	3
Uganda	10	11
Total	87	122

Note:
Only countries where new hirings were made in the last two years are reported.



■ New recruitments by gender and age group

		2020	2019
18-35	Men	34	51
	Women	13	19
36-50	Men	19	23
	Women	14	18
>50	Men	5	7
	Women	2	4
Total	Men	58	81
	Women	29	41
Total		87	122

■ Number of dismissals by age, gender, and professional category

	Professional category				Age			2020
	Management team	Middle managers	Technicians	Operators	18-35	36-50	>50	Total
	Men	1	22	45	96	39	79	46
Women		8	15	32	19	25	11	55
Total	1	30	60	128	58	104	57	219
2019								
Men	8	31	82	219	105	163	72	340
Women	2	2	18	27	21	21	7	49
Total	10	33	100	246	126	184	79	389

Talent management

In 2020, the creation of sustainable value and transformation have continued as the cornerstones of Naturgy's Strategic Plan, providing a context for the evolution of its organisational model towards a new, simpler and flatter structure, to reduce the scope of control and complexity, providing business units with full responsibility, and optimising the support they receive from corporate functions.

Thus, in 2020, this vision has meant the simplification of the first organisational levels of Naturgy, with a reduction of positions of more than 30%, which has impacted the composition of the structure in terms of gender and age.

Talent development

Leadership model

In 2020, and in this transformational context, leadership and its strategic role in the company have been encouraged, through simplification of the Naturgy Leadership Model's map of competencies, for better alignment with its business challenges, as well as with the cultural values and keys. The design of the new model has been the result of a participatory process within the company, and implementation is planned for 2021.

Key to the future: digital profile

One of the most significant axes of the talent strategy has been development and training, focused on the definition and implementation of the digital profile of the company's professionals. The first step for this transformation has been to know the starting point of the existing digital competences in the staff, in terms of the skills defined in the European Digital Competence Framework (DigComp). Likewise, the relationships of this profile with the assessments of competencies for development, already standardised in the company, such as the 360 assessment and contribution matrix, have been analysed.

This assessment of digital competences has featured the voluntary participation of more than 6,000 professionals in all businesses and geographies, and has enabled Naturgy to obtain an objective map of the existing digital competences as well as those to be developed. The overall results indicate that the company's professionals are willing to incorporate and use technology (70%) in their work, while showing interest in learning, factors that have facilitated the deployment of Naturgy's Digital Academy training.

Training model

The present Model and the Global Training Policy have strengthened the governance and transversal management role of the Corporate University, while providing greater accountability to the different businesses of the company, giving them more responsibility in the definition and execution of their training plans and budget, in direct line with the particular requirements of each business. The connection between both levels of management is modelled on the same Global Training Policy, guaranteeing synchronicity through monthly monitoring committees, where visions, proposals and practices are exchanged, facilitating the influence and integration of training into key processes.

	2020	2019
Annual investment in training (million euro)	5	7
Annual investment in training per person (euros)	514	637
Training hours	259,703.11	276,366
% of trained staff	92.6	85.8

Corporate University

■ Corporate University's figures

	2020	2019
Satisfaction surveys answered	62,208	27,137
Participants' average satisfaction (0-10)	8.6	8.5
Average degree of application of knowledge and skills in the job (%)	83%	76.0%
Number of programmes with evaluation of application	98 courses	81
Average perception index (0-10)	7.6	8.0

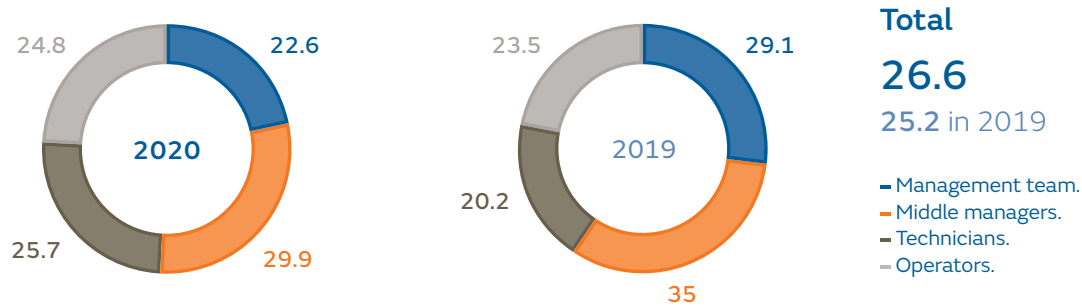
Note:

The measurement model is not implemented in Chile. The fall in the number of surveys answered in 2019 has been affected by the decrease in staff.

■ Staff trained (%)

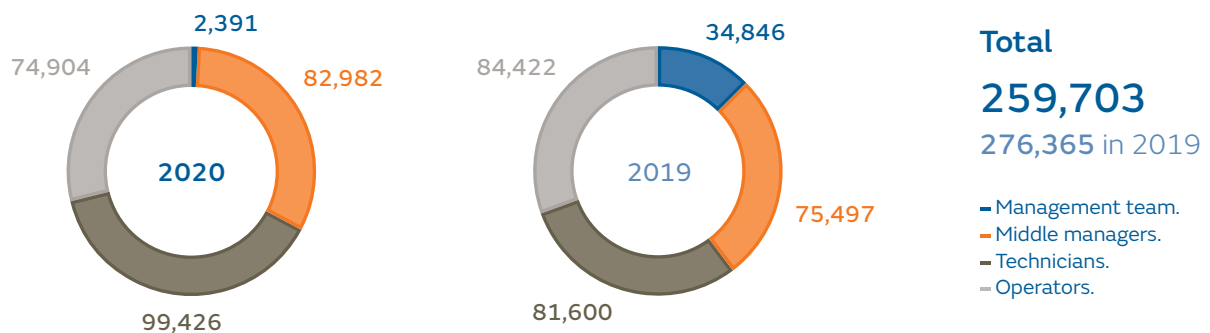
	2020				2019			
	Management team	Middle managers	Technicians	Operators	Management team	Middle managers	Technicians	Operators
Men	73.7	94.67	93.66	87.70	87.8	90.5	85.6	83.8
Women	83.33	95.15	94.62	92.08	88.5	89.6	86	80.1
Total	75.47	94.81	94.04	89.15	88	90.3	85.8	85.2

■ Training hours per employee



Note:
Training data only includes companies that have access to SuccessFactors. These companies represent 93% of the total workforce reach.

■ Training hours



As a result of organisational optimisation, the training budget in 2020 was reduced by 28.2%; however, this only meant a 6% reduction in total training hours given the roll-out of digital training courses and the implementation of “lifelong learning” platforms.

In 2020, training in Naturgy is consolidated as a strategic lever for transformation, promoting the development and empowerment of its professionals in line with the challenges of competitiveness, innovation and sustainability of the company.

In this context, the Corporate University (CU) continues to be a representative and backbone element of the training experience, guaranteeing the adequacy between the position and the person through the delivery of key knowledge, the connection with the latest trends, technologies and with the development of skills and competencies linked to Naturgy’s leadership and cultural models.

The CU training model is deployed through its three academies which, in a supplementary and synergistic way, allow the company to face the training challenges of the present and future: Transformational Leadership Academy (TLA); Tech Academy (TA); Extended Academy (EA).

transformational
leadershipacademy
corporateuniversity

techacademy
corporateuniversity

extendedacademy
corporateuniversity

Based on a transformational vision, in 2020 the **TLA** has evolved its structure, approach and programmes, to give a greater role to Naturgy's leaders in the transformation and achievement of business objectives, through three axes:

- 1. Digital Academy:** whose objective is to transform the professional profile towards a digital employee, in turn supported by three levels of action:
 - a. Digital Culture: common language and basic transversal knowledge of the tools and the digital context.
 - b. Digital Skills: development of advanced and expert digital profiles that can create high-value products and services.
 - c. Digital Mindset: involvement and influence of the management team in the company's digital transformation process.
- 2. New Energy:** with the vision to develop managers and high potentials to face future challenges and be aware of market trends.
- 3. Naturgy Leadership:** with the aim of promoting the role of the leader as a promoter of organisational and cultural change.

The **Tech Academy**, in turn, transfers technical knowledge for the development, quality and standardisation of the expert knowledge needed to deal with the current and future challenges in each of the company's businesses.

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

The EA thus contributes to the establishment of a common planning and management model, favouring the professionalisation of companies that participate in the Naturgy value chain, with a recurrent activity of 7,469 annual participants and 21,410 hours of training.

Likewise, the relationship with strategic suppliers is managed in order to strengthen partnerships, in an environment of collaboration and efficiency, sharing information, aligning strategies, seeking continuous improvement and promoting innovation.

Online training deployment

The need to work remotely as a consequence of the context of COVID-19 meant a challenge and an opportunity for the Corporate University. In this context, a 100% digital, innovative and versatile training offer was introduced with the aim of responding to business needs and providing professionals with interesting content that contributes to their connection and engagement.

This challenge has served to consolidate the training catalogue that promotes the agile and digital connection of knowledge, simultaneously reinforcing the identity and commitment of the company's professionals. Accordingly, the 2020 programmes are organised into four development areas:

1. Transversal programmes, with high impact on the commitment to the culture and values of the company:

- Transformation and value: "The Third Energy".
- People's well-being: health and safety, emotional fitness, frc modules and the "Safe Return" campaign (COVID-19), in the context of the process of returning to the workplace in Spain.
- Sustainability: "Sustainability Week: SDG commitments".
- Cybersecurity: "Day-to-day security" and "Week: Orange Code".

2. Programmes to boost the company's digital profile:

- Digital culture: The Valley platform.
- Science analyst: focused on the technification of digital profiles.
- Digital skills: programming languages (SQL, Python...) and platforms (AWS and Azure).

3. Programmes to connect with future challenges and market trends:

- Productivity: focused on best practices in efficiency and effectiveness.
- Innovation strategies.
- Power BI and other data visualisation tools.
- SCRUM, SaFe, agile methodologies and new forms of work organisation.

4. Leadership programmes, as a lever for the group's transformation and strategic vision:

- Corporate mentoring: through the "Mentor Club" we connect the talent and influence from different visions and experiences of Naturgy professionals, fostering the development of the competences of the Naturgy Leadership Model.
- Take the lead: focused on female and inclusive leadership, personal branding and networking.
- Transformational leadership: "Influencing the distance" and "The leader's journey".

Likewise, in 2020 the Corporate University made progress in improving the learning experience through the integration of "lifelong learning" platforms, such as PHAROS, which widely disseminate content and which adapt the training offer to the demand of the employees and the specific needs of the different businesses.

Quality certifications

The excellence in management of the Corporate University is supported by a Quality Management System based on ISO 9001:2015, renewed in 2020 for another three years.

Likewise, since 2003, it has also had the CLIP (Corporate Learning Improvement Process) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations. The last CLIP renewal was in 2018 for a five-year period. In 2020, an updated review was made of the evolution of the undertakings made in 2018, through the CLIP Interim report.

3. Diversity and equality

For Naturgy it is essential to promote diversity and equal opportunities in an environment of respect, understanding and ongoing dialogue, with a special focus on gender diversity targets, on the inclusion of individuals with disabilities and extending this commitment to suppliers and collaborating companies.

Naturgy promotes an inclusive culture, where there is awareness and action to integrate and connect diversity. This vision of interest in people guides the way we work and achieve the company's objectives. We also share this vision with the entire value chain in the different businesses where we operate.

This commitment is confirmed, with a global vision, in the Sustainability and People strategy, as well as in the Corporate Responsibility Policy, the Code of Ethics, the Gender Equality Policy, and the Protocol for the Prevention of Workplace Harassment.

The Naturgy's Corporate Equality Plan in Spain was approved together with the Trade Union Representative and published in the Official State Gazette (BOE) under Registration No. 90100073112013. It identifies the strengths to be maintained and shows weaknesses to be corrected identified by outsourced experts, giving rise to actions in issues of communication and raising awareness, culture and leadership, development and promotion, remuneration, flexible employment and work-life balance, selection, prevention of harassment, measurement and monitoring.

Aware of the need to continue working in the area of equality and adaptation to the new environment and regulatory development, this Plan is currently the objective of the negotiating table for the new collective agreement introduced in 2020 to determine, in time and manner, the actions to be considered and carried out.

Protocols

The creation and activation of a specific protocol against harassment; the best practices protocol in the selection processes, or the communication guide for business professionals that need to intervene for some reason in the selection process, are just some of the measures introduced which have propitiated major advances in diversity and equal opportunities.

Specifically, the Naturgy's Protocol Against Harassment lays out some preventive actions to avoid situations of harassment that include informing all employees about the protocol; training the entire staff in the issue, and in particular employees with personnel under their charge; the obligatory nature and responsibility of each employee to establish their relationships with respect and dignity and for each employee to report any case of harassment to their superior.

The protocol offers a number of guarantees, such as the total anonymity of the complainant, that the process will be completed as expeditiously as possible, and that the intervention of workers' representatives may be requested. Similarly, a fair hearing and treatment of all persons affected are guaranteed, no reprisals will be accepted, and the identity of informants, among others, will be protected.

The action procedure in the event of detecting any situation of harassment sets out two channels:

- Informal procedure: through which the affected party informs the alleged aggressor that this behaviour is not welcome, that it is offensive and interferes with their work. And if the situation is not resolved, then the formal procedure will be instigated.
- Formal procedure: through which the harassment situation is reported, following these steps:
 - Notification to the Code of Ethics Committee or reporting to their superior or to the Human Resources Department, who will decide whether to accept it for processing.
 - Investigation, gathering information and conducting interviews with the affected parties and witnesses, if there are any.
 - Possibility of introducing precautionary measures.

Once either procedure has been followed, a report will be drawn up on the conclusions and resolution of the procedure, which will include the corrective measures and the adoption of one of the following solutions: either the complaint will be closed or disciplinary proceedings will be initiated depending on the seriousness of the offence.

In another field of action, the Naturgy protocol of good practices in selection processes aims to avoid discrimination in selection processes, thus expanding the options of employability, through the following measures:

- Recruitment: open up the spectrum of recruitment sources to associations and foundations to guarantee equal job opportunities at the company.
- In the publication of job offers: no discriminatory terminology is used. Use of the third person plural is recommended. Gender separation will always be carried out with slashes. Do not use any notation as a requisite that does not offer equal conditions to the different candidates on the grounds of gender, appearance, disability, age, religion or personal beliefs of any kind. Only specify the need for a driving licence when the job requires this. Do not use possession of own vehicle as a requirement. Do not use the need to reside near the place of work as a requirement.
- In the selection process: ensure that disabled candidates have the necessary accessibility to get to the interview. Avoid prejudices and stereotypes associated to gender, appearance, ethnic origin, disability, age, religion, religious beliefs of any kind. Avoid personal questions and, if necessary, justify them. Avoid preferential treatment.
- On joining the company: inform about equality and social benefit policies without discrimination. Career opportunities based on merits and capabilities.

Diversity management

Diversity management is part of Naturgy's commitment to a sustainable business project. This commitment is embodied in the Sustainability Plan with a 2025 horizon. In this context, the Sustainability Committee is informed about progress made in the overall female presence and their promotion to management tiers, as well as of the diversity of their geographical location, professional profile and skills. In addition to the Committee, these indicators and their evolution are reported in different monitors and certifications, such as the Dow Jones Sustainability Index, the Equality in Employment Seal (DIE) and the Global Certification frc.

In this context, the company's commitment to diversity during 2020 has been confirmed through initiatives deployed in three lines of action: gender, disability and age.

- **Gender:** in 2020 progress has been made in fostering the active role of women in different areas of the company. The presence of women in Naturgy exceeds 30% (32.9%) of the total, and in this context the priority of female management talent within the new organisational model is consolidated, with the aim of advancing in the commitment to balance the gender component in the company. By virtue of their relevance, the development programmes for female management talent have been integrated into Naturgy's catalogue of FRC Global Measures.

■ Women in management positions (%)

	2020	2019
Argentina	0	20.4
Australia	0	0
Belgium	0	0
Brazil	100	43.6
Chile	0	20.9
Colombia	0	64.7
Costa Rica	0	0
Spain	23.7	29.6
France	0	22.2
Netherlands	0	0
Ireland	0	0
Israel	0	0
Luxembourg	0	0
Morocco	0	-
Mexico	0	27.5
Panama	0	34.6
Peru	0	100
Portugal	0	100
Puerto Rico	0	0
Dominican Republic	0	100
Singapore	0	0
Uganda	0	0
Total	22.6	29.4

- **Disability:** the Management of Naturgy acts as an impetus for a range of actions targeted at standardising management of functional diversity: Familia, Capacitas and Aflora Plans.

■ Employees with disabilities

	2020		2019	
	Number	(%)	Number	(%)
Argentina	6	0.5	6	0.5
Brazil	12	2.8	13	2.9
Chile	4	0.2	12	0.5
Spain	121	2.3	132	2.2
Morocco	1	1.1	1	1.1
Mexico	0	0	5	0.6
Panama	5	1.5	5	1.4

Note:

Employees have the option of not disclosing their disability in all countries. The number of employees with disabilities is only reported in those countries where employees chose to exercise their right to share this information.

- **Age:** Naturgy works on generational diversity through actions to accelerate young talent, monitor mobility and promotion.

Likewise, the best practices protocol in selection processes, as described earlier, aims to avoid discrimination in selection processes, establishing specific guidelines for recruitment, publication of offers, interviews and guidelines for integration into the company, ensuring at all times an environment of respect and transparency with the candidates.

Naturgy's commitment to diversity has been recognised through the Bequal Certification, granted to Naturgy by the Bequal Foundation in recognition of its excellence management in the area of diversity in different skills, awarded on the basis of a model structured in 7 categories, 19 indicators and 69 verification sources.

Naturgy's commitment to diversity has been recognised through the Bequal Certification of its **excellence management in the area of diversity** in different skills.

Commitment to equality

Naturgy's commitment to equality has been recognised with the "Equality in employment" seal (DIE) from the Ministry of the Presidency, Parliamentary Relations and Equality in November 2018, still in force, by virtue of the implementation of equal opportunity policies, through comprehensive, measurable and result-oriented equality plans. This certification is granted following a thorough process of verification of the activities related to equality, with the aim of confirming the level of excellence and mainstreaming in management.

■ No. of employees with maternity or paternity leave entitlements

	2020			2019		
	Men	Women	Total	Men	Women	Total
Argentina	26	16	36	14	14	28
Australia	0	0	0	1	1	2
Belgium	0	0	0	0	0	0
Brazil	9	5	14	8	6	14
Chile	34	36	70	41	48	89
Colombia	0	0	0	0	1	1
Costa Rica	0	0	0	0	0	0
Spain	119	58	177	118	62	180
France	1	3	4	3	2	5
Netherlands	0	0	0	0	0	0
Ireland	2	2	4	2	1	3
Israel	1	0	1	0	1	1
Luxembourg	0	0	0	-	-	-
Morocco	4	0	4	6	0	6
Mexico	13	13	26	7	13	20
Panama	2	3	5	0	8	8
Peru	-	-	-	0	0	0
Portugal	0	1	1	1	3	4
Puerto Rico	0	1	1	0	0	0
Dominican Republic	1	1	2	1	2	3
Singapore	0	0	0	0	0	0
Uganda	6	2	8	8	0	8
Total	218	141	353	210	162	372

■ No. of employees who took maternity/paternity leave

	2020			2019		
	Men	Women	Total	Men	Women	Total
Argentina	20	16	36	14	14	28
Australia	0	0	0	1	1	2
Belgium	0	0	0	0	0	0
Brazil	9	5	14	8	6	14
Chile	19	36	55	30	48	78
Colombia	0	0	0	0	1	1
Costa Rica	0	0	0	0	0	0
Spain	117	57	174	111	62	173
France	1	3	4	3	2	5
Netherlands	0	0	0	0	0	0
Ireland	2	2	4	2	1	3
Israel	1	0	1	0	1	1
Luxembourg	0	0	0	-	-	-
Morocco	4	0	4	6	0	6
Mexico	13	13	26	7	13	20
Panama	2	3	5	0	8	8
Peru	-	-	-	0	0	0
Portugal	0	1	1	1	3	4
Puerto Rico	0	1	1	0	0	0
Dominican Republic	0	1	1	0	2	2
Singapore	0	0	0	0	0	0
Uganda	6	2	8	8	0	8
Total	194	140	334	191	162	353

■ Comparison of employees with maternity/paternity leave with those who made use of this right

	2020	2019
Men with rights	212	210
Men who made use of this right	194	191
Women with rights	141	162
Women who made use of this right	140	162

■ Ratio of employees who returned to their position following paternity/maternity leave and continue in the company one year after their leave (%)

	2020			2019		
	Men	Women	Total	Men	Women	Total
Argentina	100	100	100	100.0	83.3	90.9
Australia	-	-	-	-	-	-
Belgium	-	-	-	-	-	-
Brazil	88.9	100.0	92.3	100.0	66.7	90.9
Chile	78.9	91.1	87.5	66.7	100.0	91.0
Colombia	.	.	.	-	-	-
Costa Rica	-	-	-	-	-	-
Spain	95.5	100.0	97.1	97.7	93.8	96.4
France	66.7	50.0	60.0	66.7	75.0	71.4
Netherlands	-	-	-	-	-	-
Ireland	100.0	-	100.0	100.0	-	100.0
Israel	-	100.0	100.0	-	-	-
Luxembourg	-	-	-	-	-	-
Morocco	100.0	.	100.0	100.0	100.0	100.0
Mexico	100.0	66.7	79.2	85.7	100.0	95.0
Panama	-	100.0	100.0	-	100.0	100.0
Peru	-	-	-	100.0	-	100.0
Portugal	-	-100.0	100.0	100.0	100.0	100.0
Puerto Rico	-	-	-	-	-	-
Dominican Republic	-	100.0	100.0	-	100.0	100.0
Singapore	-	-	-	-	-	-
Uganda	100.0	-	100.0	100.0	100.0	100.0
Total	93.9	99.4	93.6	93.8	95.1	94.4

■ No. of employees who did not return to work once their maternity/paternity leave was complete

	2020			2019		
	Men	Women	Total	Men	Women	Total
Argentina	0	0	0	0	0	0
Australia	0	0	0	0	0	0
Belgium	0	0	0	0	0	0
Brazil	0	2	2	0	2	2
Chile	0	13	13	0	5	5
Colombia	0	1	1	0	0	0
Costa Rica	0	0	0	0	0	0
Spain	5	0	5	3	4	7
France	0	0	0	0	0	0
Netherlands	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Israel	0	0	0	0	0	0
Luxembourg	0	0	0	-	-	-
Morocco	0	0	0	0	0	0
Mexico	2	1	3	0	0	0
Panama	0	1	1	0	0	0
Peru	-	-	0	0	0	0
Portugal	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0
Dominican Republic	0	0	0	0	0	0
Singapore	0	0	0	0	0	0
Uganda	0	0	0	0	0	0
Total	7	18	25	3	11	14

4. Employee satisfaction

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

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

In the last quarter of 2020, work was carried out on a new satisfaction measurement methodology supported by tools that allow regular (annual/six monthly) and on-demand measurements to be taken to assess satisfaction with the implementation of a process or new methodology. This flexible and agile model will be introduced in 2021.

Flexibility and work-life balance

Naturgy is committed to promoting and encouraging the work-life balance of its employees, as well as co-responsibility, as permanent goals.

The group's Collective Bargaining Agreement contains a broad chapter on social responsibility, equality and work-life balance, including measures aimed at achieving actual and effective equality between men and women. These measures, which go beyond legal requirements, allow a greater and better work-life balance and highlights the company's commitment to this matter. By way of example, some of the measures in force in Spain include:

- Flexibility in start and finish times, as well as in the meal break period.
- Continuous working day from June to September (4 months) and every Friday of the year.
- More extensive paid leave due to marriage, illness and death of family members.
- Paid leave not covered by legislation such as separation or divorce, marriage of children or leave for expectant mothers from the 38th week of pregnancy.
- Possibility of taking paid leave not necessarily on consecutive days.
- Reductions in working hours for personal reasons in cases other than those provided for by law.
- Possibility of accumulating breast-feeding periods.
- Adaptation of the weekly working day by one hour, as a measure to promote conciliation.
- Working from home.

In 2020, in Spain, and in the context of COVID-19, this commitment was reinforced through the Agreement with the Workers' Representative on Exceptional Measures, which has made it possible to extend and improve the work-life balance of employees throughout the health crisis.

Specifically, and together with other complementary labour measures, the following has been provided for:

1. The extension of time flexibility measures at the entrance and exit.
2. The possibility of working remotely to care for children and adults who cannot attend school or care centres.
3. The possibility of reducing the working day without a proportional reduction in salary.

The take-up of these measures has gone hand in hand with the deployment of computer resources and tools, such as laptops, in order to be able to work from home.

In the same context of dialogue, in June 2020 the right to digital disconnection as a procedure that must guarantee respect for rest outside working time and work-life balance was expressed through the signing of a clause, within the framework of the Plan of Labour Measures derived from the Lockdown Easing Plan, with the Workers' Representative.

Global FRC Certification

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

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

In 2020, the management model has been deployed through 509 local measures, distributed among the different countries where it operates, and also 22 global measures, all of them integrated in the six action groups defined by the Global FRC Standard 1000/23: Quality in Employment, Time and Space Flexibility, Support for the Employees' Families, Support for the Personal and Professional Environment, Equal Opportunities, and Leadership and Management Style.

Time Bank (Spain only)

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 other aspects of their personal life.

The range of services offered is structured in four blocks:

1. Administrative tasks: advisory and assistance services for frequent administrative tasks.
2. Advantage Club: exclusive virtual space with offers.
3. Easylife space: outreach services and acquisition of products.
4. Services available on a quotation basis.

The Naturgy Time Bank also has an Easybox that allows you to manage different services through an interactive window office and a website. Access to these services is built into the My Benefits platform, on the corporate Intranet of Naturgy.

In the COVID-19 context, and once the process of returning to work centres in Spain has begun, the Time Bank's on-site service areas are operational, thanks to the adoption of all the prevention and safety measures introduced by the company, to guarantee the health and well-being of employees.

Employee Care Service (SAE)

The service, introduced in Spain and Latin America, has celebrated its eighth anniversary in 2020, consolidating itself as a single and centralised point of contact between the employee and the organisation. The SAE allows the consolidation of global and unique models in terms of care for professionals during their life cycle in the company. The service has a multichannel approach, thanks to the online platform, and personalised attention that is accessible from any device.

In 2020, in addition to managing the usual services, the Employee Care Service played an important role in connecting and guiding employees in the context of COVID-19, supporting direct management of the preventive, health and also work-life balance measures laid down by the company. Currently, the Net Promoter Score (NPS) of the service is 77.27%, 84,308 requests from employees have been answered and 93.90% of the requests have been resolved within the deadline.

Culture and Employee Experience

The Naturgy culture frames the processes of the people model from consistency, global approach and leadership, giving meaning and projection to the transformation towards value creation.

With the strategic vision of a sustainable company, Naturgy continues to focus on redesigning its spaces and ways of working, digitising its employees' jobs, and promoting a transformational culture, through three key concepts:



01 |

Team

Cohesion.
Leadership.
Enthusiasm.



02 |

Innovation

Evolution.
Digitalisation.
Flexibility.



03 |

Working methods

Flexibility.
Collaboration.
Simplicity.

To guarantee the success of its programmes, the company has internal influencers so that the employees themselves are the lynchpins of the transformation and those who inspire and motivate others.

ImaginaT Project

The new model of spaces and ways of working of Naturgy, applicable to the whole group. The physical reconfiguration of spaces is, in itself, a powerful vehicle for implementing new ways of working and collaborating. ImaginaT environments are more flexible, more collaborative and more digital, like Naturgy's values and culture, to encourage employees to connect, collaborate, innovate and foster new points of view, radically changing the employee experience.

The implementation of this project has begun by implementing these new concepts in some of the Naturgy's offices in Barcelona and also in San Cugat del Vallés. The large-scale deployment of ImaginaT is planned for 2021 onwards.

DigitalTeam Project

A global project whose goal is to consolidate new ways of working in the company using technological tools that promote collaboration, mobility and online communication between all professionals. During the first stage of its implementation in 2019, its take-up reached 65%, making it possible for 100% of employees who needed it to work remotely in 2020, during the COVID-19 crisis.

Initial success in adopting this new way of working was based on:

- Blended training through the Naturgy Corporate University, promoting the knowledge of the tool and its application in the day-to-day life of the employees. Over 5,683 hours of training have been provided in this context, with satisfactory quality results: an 8.21 satisfaction index and a NPS value of 46%.
- “Learning by doing” through digital influencers. The role of the influencer is key to bringing about the cultural change required by the new way of working. With inspiration and motivation towards their work community, all staff were able to use the tool, resolving doubts as the project progressed. During 2020 the project has been consolidated and successfully closed, thanks to the work of 530 people who acted as digital influencers at an international level.

5. Compensation and remuneration

Reward

The reward axis aims to provide a framework of classification, remuneration, benefits and work environment, which drives and aligns performance with the strategy of Naturgy. In 2020, and by virtue of the launch of the company's new organisational structure, the review of the new positions has been completed with respect to the new model of Job Evaluation and Compensation of Naturgy, designed in 2019.

The Naturgy's concept of reward aims to provide a framework for classification, compensation, benefits and work environment, which drives and aligns professional performance with the strategy of Naturgy.

In this framework, the remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. There are two remuneration models, one for employees included in the collective bargaining agreement and another for employees not included.

The annual variable remuneration is a structure of uniform objectives for the whole group, with metrics differentiated according to the business unit, corporation or project to which it belongs.

The above-mentioned metrics include:

- Economic and financial targets.
- Safety and quality issues.
- In addition, a qualitative objective that measures the “how” in achieving the targets is valued.

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

The aims of the management team are aligned and linked to those of the Company through, among others, the implementation of a long-term incentive (LTI) programme, through which they can receive a variable bonus, provided that returns on Naturgy shares in a specific 5-year period are optimum for any shareholder of the Company within the same period. The valuation of these returns has been set in considerably ambitious terms with respect to those existing in the market.

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

Specifically, employees in Spain have a flexible compensation system that allows them to design the composition of the remuneration package using the existing product offer, optimising this package for tax purposes.

Along these lines, the Total Compensation Plan has also remained in force in 2020. This plan allows employees to customise the composition of the compensation package offered by the company, while being compatible with the flexible compensation system, thus facilitating decisions on the make-up of their compensation package, and allowing them to monetise benefits, maintain the corresponding benefit or allocate the amount to other benefits.

My Benefits Platform

This platform offers a unique and integrated solution to manage and communicate the Compensation and Benefits programmes, allowing Naturgy to contribute to the well-being of its employees from a 360° perspective (financial, emotional, physical and social) and to promote their engagement. It is a living technological platform that evolves by adapting to the various benefits and compensation strategies of the company. It has the following modules:

- **Flexible Compensation:** Flexible Compensation Plans (PCF) are voluntary and customised compensation systems that allow each employee to decide how to receive part of their annual compensation. Through this utility, employees have access to their compensation data and can consult, simulate and contract a flexible compensation plan. All in an environment of maximum usability and clarity of presentation.
- **Social Benefits System:** Naturgy offers services, within its remuneration strategies and through the My Benefits platform, that help employees understand their retirement and find out about existing internal plans. This service provides each employee with personalised information on Naturgy's social benefits initiatives.
- **Savings in Personal Insurance:** through this utility, employees can take out personal insurance (home, life, car, death, etc.) with an excellent price-cover-service ratio and guaranteed by leading insurance companies. Furthermore, the tool makes it easy to compare prices and choose the insurance that best suits each individual.
- **Health Insurance:** the company has health insurance, which is one of the benefits most valued by employees.

Average remuneration by age group, gender, and professional category

For information on remuneration in 2020, the professional categories have been unified with those used for the other people indicators (Management Team, Middle Management, Technicians and Operational Staff). The 2019 remuneration indicators maintain the breakdown of professional categories from the previous year (Management, Technicians, Administrative and Operational).

All remuneration indicators are expressed in euros.

■ Fixed remuneration ^(*)

	2020			
	Management team	Middle managers	Technicians	Operators
Argentina	95,308	18,262	16,580	12,415
Brazil	110,119	30,282	14,668	10,782
Chile	223,342	64,109	34,752	20,857
Colombia		69,752		
Spain	201,209	64,665	48,930	37,230
France		81,841	40,636	34,142
Ireland		133,148	44,849	
Morocco		40,066	44,328	16,959
Mexico	81,304	23,856	14,770	9,247
Panama		28,296	18,147	13,901
Portugal			33,715	
Dominican Republic		24,451	14,155	

(*) No data is published as there are no employees in this professional category or for confidentiality reasons.

■ Fixed remuneration

	2020		
	Men	Women	Gap
Argentina	16,225	15,365	5.30%
Brazil	18,801	19,118	1.69%
Chile	38,477	32,276	16.12%
Colombia	103,929	56,081	46.04%
Spain	54,825	49,767	9.23%
France	70,421	43,985	37.54%
Ireland	50,515	41,569	17.71%
Morocco	32,711	34,251	-4.7%
Mexico	15,764	16,594	-5.27%
Panama	22,406	20,545	8.31%
Portugal	39,344	35,956	8.61%
Dominican Republic	13,745	23,601	-71.71%

■ Fixed remuneration (*)

	2020		
	18-35 years	36-50 years	> 50 years
Argentina	12,589	15,632	17,728
Brazil	12,789	19,699	22,935
Chile	27,711	38,002	40,563
Colombia		48,982	97,445
Spain	34,805	50,463	63,931
France	43,254	67,514	
Ireland	32,535	67,460	76,552
Morocco	13,838	30,549	36,144
Mexico	13,947	16,432	19,643
Panama	16,339	23,025	27,231
Portugal	33,638	30,920	
Dominican Republic	9,560	15,659	19,579

(*) No data is published as there are no employees in this professional category or for confidentiality reasons.

■ Average fixed remuneration 2019 (*)

	Executive		Technicians		Administrative		Operators	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	66,367	51,175	22,190	20,786	16,260	14,816	17,634	14,932
Brazil	45,942	44,187	21,369	18,236	29,378	16,781	14,631	11,154
Chile	138,027	74,262	34,226	31,453	19,211	15,598	15,711	10,308
Colombia	76,374	80,023	13,092	12,368	6,632	6,882		
Spain	88,872	78,672	49,835	46,700	39,094	36,020	37,981	29,207
France	108,274	70,856	51,926	45,066	31,815	32,020		
Ireland	118,086		59,266	48,212				
Morocco	82,528	79,917	28,072	29,591	11,169	11,000	12,610	
Mexico	39,430	44,889	18,050	17,808	7,524	9,931	7,457	6,761
Panama	42,099	49,719	18,764	21,143	19,675	19,577	15,458	
Portugal		80,882	39,344	32,719		24,768		
Dominican Republic		72,209	23,692	24,628	12,670	9,703	12,560	

(*) No data is published as there are no employees in this professional category or for confidentiality reasons.

Variable remuneration was considered to be the amount received by employees under the Management by Objectives, Performance Management and Commercial Variable Remuneration programmes.

■ Average fixed and variable remuneration ^(*)

	2020			
	Management team	Middle managers	Technicians	Operators
Argentina	133,431	20,405	17,916	12,604
Brazil	167,244	36,252	16,213	11,573
Chile	322,482	71,988	36,814	22,302
Colombia		86,555		
Spain	290,484	74,878	50,840	37,392
France		100,003	47,281	36,222
Ireland		211,573	57,163	
Morocco		44,827	47,450	18,865
Mexico	113,826	29,246	18,499	11,792
Panama		33,346	19,940	15,044
Portugal			34,888	
Dominican Republic		27,540	15,558	10,805

^(*)No data is published as there are no employees in this professional category or for confidentiality reasons.

■ Average fixed and variable remuneration

	2020		
	Men	Women	Gap
Argentina	17,645	16,492	6.53%
Brazil	21,569	22,310	-3.44%
Chile	42,820	35,502	17.09%
Colombia	137,014	66,372	51.56%
Spain	60,884	53,989	11.32%
France	86,051	50,815	40.95%
Ireland	69,195	48,361	30.11%
Morocco	36,214	38,262	-5.66%
Mexico	19,842	20,316	-2.39%
Panama	25,715	23,478	8.70%
Portugal	39,344	37,448	4.82%
Dominican Republic	14,915	26,824	-79.85%

■ Average fixed and variable remuneration ^(*)

	2020		
	18-35 years	36-50 years	> 50 years
Argentina	13,031	16,970	19,467
Brazil	14,453	22,872	26,313
Chile	30,014	42,127	45,552
Colombia		57,945	124,702
Spain	36,175	55,118	72,144
France	51,339	80,745	
Ireland	37,212	95,062	107,253
Morocco	14,588	33,318	40,476
Mexico	17,729	20,543	23,390
Panama	17,974	26,457	31,977
Portugal	38,347	33,944	
Dominican Republic	10,319	17,144	21,330

^(*) No data is published as there are no employees in this professional category or for confidentiality reasons.

■ Average fixed and variable remuneration 2019 ^(*)

	Executive		Technicians		Administrative		Operators	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	85,380	61,258	23,382	23,161	16,508	15,119	17,709	15,221
Brazil	52,054	51,074	24,187	20,435	31,043	17,862	15,663	11,965
Chile	164,176	82,754	36,704	34,000	22,134	16,480	16,219	10,646
Colombia	148,985	104,717	15,643	14,719	8,508	8,648		
Spain	114,090	99,173	51,887	48,705	39,094	36,020	37,982	29,207
France	132,735	82,902	59,679	50,637	37,917	33,444		
Ireland	168,869		80,309	60,122				
Morocco	98,152	95,782	34,924	34,504	13,443	13,743	18,196	
Mexico	53,594	52,856	21,445	21,247	8,400	10,983	7,612	7,387
Panama	42,081	49,698	18,757	21,135	19,668	19,570	15,451	
Portugal		97,882	51,556	42,023		27,493		
Dominican Republic		88,337	26,246	25,920	13,438	10,159	12,998	

^(*) No data is published as there are no employees in this professional category or for confidentiality reasons.

■ Average fixed and variable remuneration ^(*)

	2019		
	18-35 years	36-50 years	> 50 years
Argentina	14,443	18,924	21,958
Brazil	6,652	10,444	12,065
Chile	20,698	31,131	30,695
Colombia	9,661	34,222	110,120
Spain	34,879	49,140	61,252
France	42,475	62,876	63,319
Ireland	35,191	68,708	75,868
Morocco	15,259	35,529	39,935
Mexico	15,638	18,944	18,434
Panama	19,251	27,066	30,559
Portugal	41,691	46,361	(*)
Dominican Republic	11,604	19,690	22,190

^(*) No data is published as there are no employees in this professional category or for confidentiality reasons.

Salary gap ⁽¹⁾

The salary gap measure, according to which a percentage greater than zero represents the percentage that women earn less than men, is detailed below. The calculation of the salary gap has been done as follows:

$$\text{Salary gap} = \frac{\text{Average remuneration men} - \text{Average remuneration women}}{\text{Average remuneration men}} \times 100$$

■ Salary gap (fixed) ^(*)

	2020			
	Management team	Middle managers	Technicians	Operators
Argentina		0.3%	-5.8%	35.0%
Brazil		9.4%	14.0%	-8.6%
Chile		15%	10.0%	-4.0%
Colombia		46.0%		
Spain	23.8%	-3.1%	5.9%	5.6%
France		30.6%	-4.9%	
Ireland		100.0%	36.6%	
Morocco		-102.0%	23.7%	-17.8%
Mexico	100.0%	-20.6%	-7.7%	-23.2%
Panama		11.8%	2.3%	2.6%
Portugal			31.5%	
Dominican Republic		-73.9%	32.5%	21.9%

⁽¹⁾ The most relevant data for Naturgy are provided. 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.

^(*) No data is published as there are no employees in this professional category or there are only men or women.

■ Salary gap (fixed and variable) ^(*)

	2020			
	Management team	Middle managers	Technicians	Operators
Argentina		-2.5%	-8.3%	40.7%
Brazil		11.0%	14.8%	-8.0%
Chile		17.0%	9.8%	-5.9%
Colombia		51.6%		
Spain	27.7%	-2.3%	5.8%	5.7%
France		30.6%	-0.8%	
Ireland		100.0%	45.2%	
Morocco		-107.1%	25.0%	-21.8%
Mexico	100.0%	-17.8%	0.0%	-30.4%
Panama		12.6%	0.4%	0.1%
Portugal			15.9%	
Dominican Republic		-71.9%	34.1%	22.8%

^(*) No data is published as there are no employees in this professional category or there are only men or women.

■ Salary gap (fixed) ^(*)

	2019			
	Executive	Technicians	Administrative	Operators
Argentina	22.9%	6.3%	8.9%	15.3%
Brazil	3.8%	14.7%	42.9%	23.8%
Chile	46.2%	8.1%	18.8%	34.4%
Colombia	-4.8%	5.5%	-3.8%	-
Spain	11.5%	6.3%	7.9%	23.1%
France	34.6%	13.2%	-0.6%	-
Ireland	-	18.7%	-	-
Morocco	N/A	N/A	N/A	N/A
Mexico	-13.8%	1.3%	-32.0%	9.3%
Panama	-18.1%	-12.7%	0.5%	-
Portugal	-	16.8%	-	-
Dominican Republic	-	-3.9%	23.4%	-

^(*) No data is published as there are no employees in this professional category or there are only men or women.

■ Salary gap (fixed and variable) ^(*)

	2019			
	Executive	Technicians	Administrative	Operators
Argentina	28.3%	0.9%	8.4%	14.0%
Brazil	1.9%	15.5%	42.5%	23.6%
Chile	49.6%	7.4%	25.5%	34.4%
Colombia	29.7%	5.9%	-1.6%	
Spain	13.1%	6.1%	7.9%	23.1%
France	37.5%	15.2%	11.8%	
Ireland		25.1%		
Morocco	2.4%	1.2%	-2.2%	
Mexico	1.4%	0.9%	-30.7%	2.9%
Panama	-18.1%	-12.7%	0.5%	
Portugal		18.5%		
Dominican Republic		1.2%	24.4%	

^(*) No data is published as there are no employees in this professional category or there are only men or women.

Average remuneration of Directors

■ Average remuneration of Directors (thousand euro)

	2020		2019	
	Men	Women	Men	Women
Executive ⁽¹⁾	1,100	-	1,100	-
Independent/Proprietary	269	235	262	235

⁽¹⁾ It does not include remuneration for executive functions.

■ Breakdown of personnel costs (million euro)

	2020	2019
Wages and salaries	507	821
Social Security costs	101	112
Definitive contribution plans	26	31
Definitive benefit plans	6	6
Work carried out for the company's fixed assets	(77)	(105)
Share-based compensation	5	5
Other	230	54
Total	798	924

Pension plan

In the case of Spain, the joint pension plan for employees of the Naturgy Group is a defined contribution plan for retirement and defined benefits in the event of death or incapacity whilst actively working. Employees are automatically added to the Plan as soon as they are registered.

The Plan currently has a net worth of more than Euros 500 million, which is distributed among approximately 5,600 active employees, and more than 3,100 beneficiaries and suspended participants.

In the international arena:

- The group's policy is based on the provision of retirement savings instruments and death and disability coverage whilst an active worker, taking into account the particularities and social welfare needs of each country.
- In accordance with the legal frameworks of each country, Naturgy agreed with the employee representatives to introduce social benefits and work-life balance measures.

6. Labour relations

Respect for the freedom to join a union; fundamental rights, collective bargaining, and the agreement culture represent key principles for Naturgy. The company respects workers' representatives freely elected in all countries where it operates, and has introduced communication channels with these representatives as a major part of the corporate action principles.

The collective bargaining agreements include several communications channels with representatives, under the form of committees to deal with the many and varied aspects of general interest.

Article 78 of the collective agreement applicable in the Naturgy Group sets out the constitution of a joint group union table for all companies that make up the scope of the collective agreement. The above-mentioned table is specifically equipped with the same competences regulated in Article 64 of the Workers' Statute, detailing the competences related to information, negotiation, prior hearing, coordination, representation, participation and oversight.

Mainstreaming and collaborative work that promotes the commitment of the entire organisation in matters of health, safety and the environment is a key lever for the development of projects and actions aimed at transformation, innovation and improvement of activities and processes and, of course, the achievement of optimal results. Within this framework, it is essential that workers are consulted and take part in the regular health and safety meetings held at all levels of the company, in order to establish, implement and maintain the specific processes and bodies at all levels of the organisation, facilitating the appointment of representatives and their participation in these. This means that all employees have a channel of direct participation available to them through the joint meetings between management and employees, and 100% of the staff is represented at these meetings.

The main issues formally discussed with the workers' representatives during 2020 are summarised as follows:



Health and Safety
commitment



Analysis
of accidents



Launch
of new regulations



Integral health



Quarterly
monitoring of preventive measures

In addition, five extraordinary committees were set up in 2020 to participate in, inform and consult on all kinds of aspects and protocols arising from the COVID-19 health crisis.

	2020		2019	
	Not covered by collective bargaining agreements (%)	Covered by collective bargaining agreements (%)	Not covered by collective bargaining agreements (%)	Covered by collective bargaining agreements (%)
Argentina	28.9	71.1	28.6	71.4
Australia	0	100	0.0	100
Belgium	-	-	0.0	100
Brazil	28.1	71.9	27	73
Chile	0.5	99.5	5	95
Colombia	100	0	46.5	53.5
Costa Rica	0	100	-	100
Spain	33.5	66.5	32.8	67.2
France	65.1	34.9	71.7	28.3
Netherlands	0	100	0.0	100
Ireland	100	0	100	0
Israel	0	100	0	100
Morocco	37.8	62.2	35.5	64.5
Mexico	20.3	79.7	20.8	79.2
Panama	56.0	44.0	57.3	42.7
Peru	-	-	0	100
Portugal	0	100	0	100
Puerto Rico	75	25	75	25
Dominican Republic	4.1	95.9	4	96
Singapore	0	100	0	100
Uganda	0	100	0	100
Total	25.5	74.5	26	74

7. Internal communication

In line with Naturgy's commitment to information, consultation and participation, any change that affects or which could affect labour relations are passed on to the social agents in full compliance with the deadlines established in prevailing legislation.

In communications to employees, when there are no longer legally established deadlines, a minimum of two weeks' notice is observed.

Likewise, Naturgy has permanent open channels for the resolution of doubts and the transfer of information, beyond the established formal channels.

In the context of the pandemic that has characterised 2020, Naturgy's internal communication model has become a fundamental lever for transparency and cohesion between all teams while at the same time it has promoted organisational alignment, evolving towards new actions and online support.

In this regard, several meetings have been held throughout the year between employees and the company's management, where those attending have received first-hand key messages from the company, having the opportunity to express their concerns and opinions. Specifically, through the "Conecta" programme, meetings have been reactivated, in digital format, with Management to promote approachable and direct conversation on topics of interest to the organisation and, especially during the first half of 2020, first-hand information was provided on evolution of the pandemic and the different measures that the company has introduced to protect its employees.

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

During the second half of 2020, internal communication management was further developed with a twofold objective: to implement the measures for a safe return to the Naturgy buildings and management of the communication associated with COVID-19 and to promote team cohesion with the activation of a new internal communication plan. All this has enabled the implementation of new programmes that promote progress in the company's strategic lines and cultural transformation, through the communication of organisational, business and project milestones.





We prioritise
safety in our activities,
minimising risk
for everyone.

10

Health and safety

Naturgy's contribution to SDG



Naturgy helps to achieve the third SDG, through its commitments to health, safety and the well-being of its employees, suppliers, contractors and subcontractors.

10. Health and safety



What does this 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.

The implemented health and safety management system has established mechanisms to identify and control the risks associated with our activities. The Safety Plan has included several relevant lines of action aimed at controlling the six most critical risk factors for accident frequency and severity. For each of these six risk factors (confined spaces, work at height, electrical risk, tree felling and pruning, cargo handling and road safety), "red lines" have been defined, non-compliance with which has been the subject of special supervision and the application of a disciplinary regime.



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 into business management.
- Establish learning as the driver of a safety culture, by means of ongoing training, accident and incident analysis, the dissemination of lessons learnt, education and the promotion of health.
- Incorporate health and safety criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and collaborating companies, non-compliance with which will condition the commencement or continuity of their activity.
- Invest in new strategies of health education and health promotion, which allow the workplace to become the vector of transmission of healthy conduct for workers and their environment.
- Implement measures targeted at improving the quality of life, well-being and health of people within the communities where the company operates.
- Provide the resources and necessary means to enable compliance with established safety standards at all times.

In order to convey this commitment to stakeholders, the units identify their stakeholders, needs and expectations and what the current or potential legal or other requirements could be, in order to adapt safety management to the different realities in which they operate.

To this end, active policies are promoted to encourage the organisation's leadership and commitment and multidisciplinary competence centres are set up to promote participation and the identification of proposals to improve conditions in terms of safety and well-being.

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.



Evolution and results 2020

	2020			2019		
	Total	Men	Women	Total	Men	Women
No. of lost time accidents (No. of employees)	4	3	1	14	14	0
No. of recordable accidents (No. of employees)	11	10	1	25	25	0
No. of accidents with serious consequences (No. of employees)	1	1	0	0	0	0
Days lost due to lost time accidents	438	380	58	704	704	0
Deaths	0	0	0	0	0	0
Lost time accidents frequency rate	0.04	0.04	0	0.12	0.18	0
Recordable accident frequency rate	0.1	0.14	0	0	0	0
Frequency rate of accidents with serious consequences	0.01	0.01	0	0	0	0
Death frequency rate	0	0	0	0	0	0
Lost time accidents severity rate	4.14	5.34	2	6.04	8.94	0
No. of hours worked ⁽¹⁾	21,157,180	14,221,393	6,935,787			

⁽¹⁾ The international criteria of the American Gas Association has been used to calculate hours worked, which establishes 1,960 hours per employee per year.

Employee accident indicators show a considerable improvement over the previous year. This has been influenced by the lockdown caused by COVID-19, which contributed to a significant reduction in operational field activities and travel for work purposes over several months.

In terms of injuries recorded as accidents, the most common types included those associated with dislocations, sprains, strains and surface injuries and wounds, all of a minor nature.

One occupational illness was reported in Chile in 2020. Five reported cases of occupational illness corresponding to 2019 were in the process of being resolved by the Chilean Social Security Superintendency and were ratified in 2020.

1. Health and safety strategy of Naturgy

Naturgy's safety strategy, developed in collaboration with the business units, is structured through the following elements:

- A stable health and safety culture throughout the organisation.
- A relational and governance model, integrated at the highest level and with a structure of Environmental Health and Safety (EHS) committees of a transversal nature and specific to the business units, which guarantees the uniform implementation of criteria.
- The integration of health and safety in the value chain, including procurement, design and planning of activities and facilities, implementation and all elements that support control and monitoring.
- An integrated occupational health and safety management system audited and certified by a third party, with scope for all businesses.
- Action plans to address the most critical aspects, ensuring the implementation of preventive and/or corrective measures and strategic lines of work.
- Training itineraries and requirements adjusted to the job, and training and awareness to achieve the commitment of the group and its collaborating companies.
- Uniform supervisory tools for the assessment and monitoring of risks, legal requirements, accidents and lessons learnt and their dissemination.
- Periodic reporting of health and safety performance, adjusted to the needs of the different stakeholders, with transparent and clear communication.
- Five lines of action on which the management system pivots:



01

Leadership



02

Employees



03

Collaborating
companies



04

Process and facilities
safety management



05

Society

The occupational health and safety management system is integrated with the quality and environmental management systems, where it forms an integrated system applicable to all Naturgy processes and activities, including all businesses and countries.

Specifically, the scope of the management system includes all Naturgy companies with a majority shareholding, as well as those companies or entities over which the group has responsibility for their operation and/or management, and which execute one or more of the processes defined in the Global Policy on Standards (NG.00001).

In addition, it has been verified that the scope of the system includes all the groups identified in the definition of “worker” contained in the new standard 45001, which extends beyond the existence of an employment relationship, and the universalisation of the concept of the workplace and the degree of control over it.

Evolution of the Health and Safety Commitment

The Health and Safety Commitment project, in force since 2012, has consolidated the safety culture at Naturgy, being a fundamental pillar of compliance, the corporate responsibility commitments and the company’s Sustainability Plan.

In 2020, the health and safety context of Naturgy has been marked by the COVID-19 pandemic, which has led to the need to refocus preventive activities to meet the requirements associated with this situation. To this end, Naturgy has adapted its procedures and implemented measures to maintain the activity, while prioritising safety and minimising risks, both for its staff and its partners.

Naturgy has been one of the first companies to activate its crisis committee and introduce global actions to control the crisis and, as an essential services operator, has managed to maintain business continuity and availability of workplaces, thus demonstrating its capacity for anticipation. In addition, it has organised and segmented its staff taking into account not only the criteria of business continuity (critical personnel) but also combining the criteria relating to the pandemic (vulnerable personnel by pathology, family units, work/life balance measures, etc.), ensuring, for example, a scaled plan of returning to work by groups and by phases.

Naturgy, as a critical infrastructure company, had more than 70% of the collective in remote work mode maintaining productivity, thus adopting teleworking as a management strategy. To carry out this implementation, in addition to providing staff with equipment and materials through the health and safety contacts initiative, it has focused efforts on training workers to adapt to and adopt good practices and healthy working habits (safety awareness, personal protection measures, etc.) in this new scenario.

comparto **safetyhealth** **Naturgy**

Contacts for health and safety

Keeping fit during the coronavirus.

Did you know that astronauts, in order to cope with isolation in good physical conditions, repeat a protocol of exercises every day that they never skip?

The isolation measures taken by the different governments to stop the spread of the virus do not imply that we should abandon our sports routine, we just have to adapt it.

Some good advice is a simple workout that will allow us to keep fit and not gain weight, as well as help our emotional well-being.

FLOOR EXERCISES

- 1. Push-ups
- 2. Front abdominal planks
- 3. Planks (1/2)
- 4. Side leg lifts

STANDING EXERCISES

- 1. Arm and shoulder circles
- 2. Forward Leg Lifts
- 3. Side Leg Lifts
- 4. Heel raises

Remember:
The key is not in "overdoing it" a few days a week, but in maintaining a routine of 15-20 minutes every day. Adapt the intensity of the exercise to your physical condition.

Committed to your safety and health

comparto **seguridadsalud** **Naturgy**

Contacts de seguridad y salud

Trabajo en remoto sí, pero con seguridad.

La pandemia declarada en relación con el coronavirus COVID-19, ha hecho que muchos empresarios hayan trasladado por el trabajo en remoto como una forma de mantener la actividad laboral y productiva de sus trabajadores. Sin embargo, el hecho de trabajar desde casa no minimiza ni quita la importancia de hacerlo en las condiciones de seguridad y salud adecuadas.

Aquí te recordamos los aspectos más relevantes que debes tener en cuenta.

LUGAR DE TRABAJO

- El espacio que elijas, debe ser un lugar de trabajo amplio, iluminado lo mejor que puedas y ventilado.
- Elige tu puesto de trabajo para evitar reflejos e deslumbramientos en tus ojos.
- Evita las sillas eléctricas limitadas a un rango de anchura, el uso excesivo del reposapiés y la presencia de Bases o alfileres en el suelo. Procura elegir de ahí arriba la zona de pisar y desmontar la sillas, retirando cuando no las estás utilizando.

TRABAJO

- Ajusta el punto de vista de pantalla, el ángulo y la pantalla en un ángulo de 45º.
- Ajusta la altura de la pantalla para que la línea de vista coincida con la parte superior de la misma.
- Elige un teclado en una posición que facilite la adaptación antiesmoquinamiento.

PROBLEMAS DE TRABAJO

- Utiliza el material imprescindible para adaptarlo al tamaño de tu mesa de trabajo.
- Evita el estrés excesivo de las actividades fuera de horario.
- Utiliza una silla de altura ajustable y respaldar reclinable. Si no es posible, utiliza un cojín para mejorar el correcto apoyo posterior de espalda.
- Asegura la movilidad de las piernas y evita una posición de las piernas en el suelo, cuando separen a un reposapiés.

Recuerda:
Aunque es especialmente importante que después de cada hora de trabajo, descanses 10 minutos y aproxímate para andar y hacer estiramientos que eviten la fatiga (cabeza, cuello, piernas, espalda...).

Comprometidos con tu seguridad y tu salud

comparto **segurançasaude** **Naturgy**

Contatos de segurança e saúde

O coronavirus em casa.

Sabia que de acordo com a OMS, 80% dos casos de coronavirus são leves?

O isolamento de um paciente com coronavírus em um domicílio pode ser realizado de várias maneiras, desde que seja uma metodologia leve e se as pessoas que convivem com ele não apresentarem sintomas clínicos ou um sistema imunológico vulnerável.

1
Isolamento do paciente

- Evite o paciente em um quarto de sua residência, com janelas para uma correta ventilação e a porta fechada. O quarto deve ter uma luz de luz de janelas com filtro de luz.
- Se possível, reserve um banheiro para uso exclusivo. Se não for possível, evite o uso de banheira para banho e não compartilhe o banheiro com outras pessoas.
- Limite sua circulação por espaços comuns.
- Se o paciente usar de seu quarto, deve fazê-lo de maneira rápida e curta, mantendo o uso de máscara e luvas.

2
Limpeza da casa

- Limpe diariamente as superfícies de contato com água sanitária.
- Lave a roupa e o tênis de preferência em água quente por 30 minutos.
- Não seque a roupa e o tênis dentro de casa para evitar a dispersão de vírus.
- Não compartilhe o banheiro com outras pessoas.
- Não compartilhe o banheiro com outras pessoas.
- Não compartilhe o banheiro com outras pessoas.

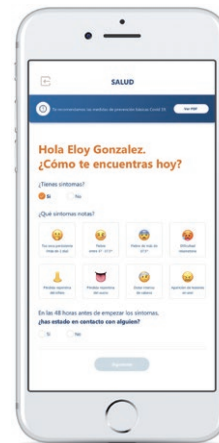
3
Pessoa cuidadora

- Decida o momento que você está em casa. Não use de máscara e luvas.
- Antes de aproximar-se do paciente, use máscara e luvas.
- Evite manter a distância e não compartilhe o banheiro com outras pessoas.
- Não compartilhe o banheiro com outras pessoas.
- Não compartilhe o banheiro com outras pessoas.

Lembre-se:
Facilite o uso de tecnologia para o paciente para que possa manter contato virtual com o restante da família e amigos. Estar isolado não significa estar sozinho.

Comprometidos com sua segurança e sua saúde

As well as providing instructions on prevention, developing awareness and educational initiatives and monitoring the health of employees, Naturgy has implemented the Health app. In this way, it has managed to address the daily reporting of symptoms and the identification of contacts. The company has also opted to test all staff and their family units.



Within the Lockdown Easing Plan, specific protocols have been generated and those existing in operational and safety matters have been adapted to establish guidelines in view of these new conditions. Examples of this include: health protocols for the management of infections, symptoms and possible positive cases; protocols for returning to work centres based on criteria of limited capacity, adopting measures such as signposting of spaces; operational protocols or the reopening of Naturgy stores.

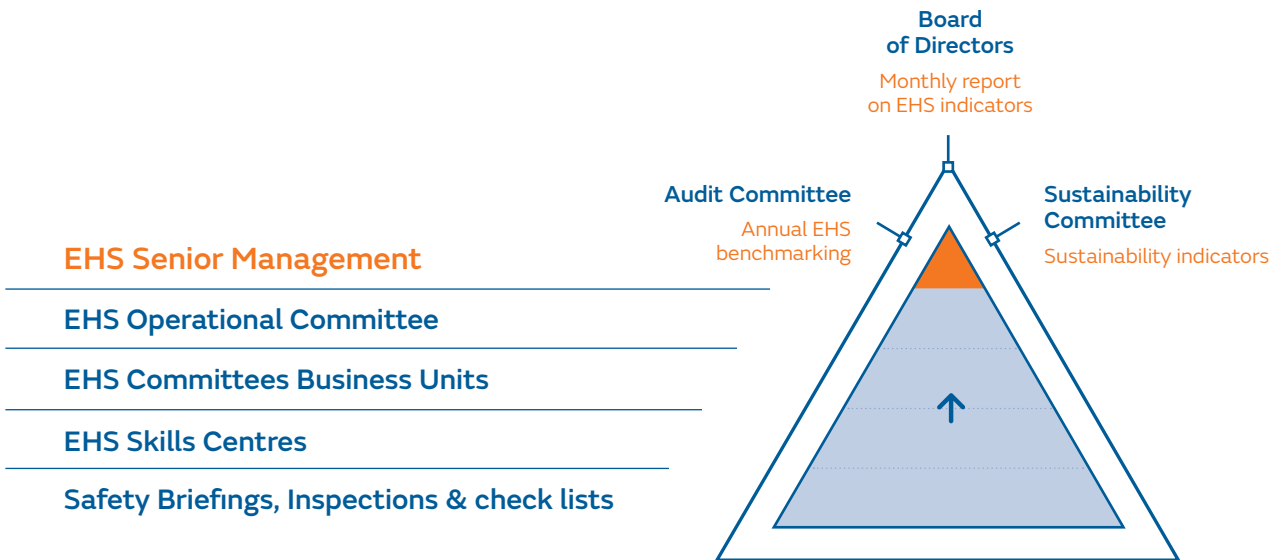
These protocols have been pivoted in the Health and Safety area, which has played a fundamental role. In short, the focus in this pandemic has been on the health, safety and well-being of employees.

Naturgy’s participation in meetings with other companies should also be highlighted, to identify best practices in the management of this crisis and to share knowledge and protocols, playing a collaborative role with other essential service companies.

Health and safety leadership

The Global Health and Safety Policy, approved in 2019, reinforces safety as a key factor of business leadership and ensures compliance with the commitments made in the Naturgy’s Corporate Responsibility Policy. It places the focus on governance and links directly to Senior Management, enhancing its leadership in safety to ensure application of the model in all businesses and activities —both in-house and outsourced. In addition, the policy is linked to monitoring the evolution of indicators and action plans arising from incidents and accidents.

With this vision, the EHS governance model is consolidated, with a top-down health and safety committee structure, which is adapted to the new business structures and guarantees that criteria are implemented uniformly throughout the organisation.



Safety standards pursuant to the new culture

Health and safety standards guarantee that activities are carried out under the same safety conditions in different areas and countries. The implementation of competence centres to collectively address the main safety processes and risk factors has enabled the alignment of corporate standards and the maintenance of a common regulatory framework adapted to a changing organisational environment. This work promotes the commitment of the entire organisation towards improving safety and achieving optimal results, while ensuring ongoing adaptation and review.

The common regulatory framework established is complemented by technical and safety procedures and instructions by type of activity and through a system for managing work permits for risk activities.

Health and Safety Commitment

Naturgy has adopted Vision Zero, a transformative approach to prevention promoted by the International Social Security Association (ISSA) and which is designed to foster a culture of prevention in organisations through the implementation and development of seven golden rules that promote a generalised commitment by the organisation and a sustained and global effort as a safeguard against any damages to health in the workplace.

7 golden rules

Assume leadership · demonstrate commitment | Identify hazards · assess risks | Define goals · develop programmes | Ensure a safe and healthy system · be well organised | Ensure health and safety in machines, equipment and workplaces | Improve qualifications · develop skills | Invest in people · motivate through participation.



This vision is complemented by the assumption of five health and safety management principles that regulate all activities and are shared and extended to all collaborating companies.

5 health and safety principles

- | | | | |
|-----------|--|---|---|
| 01 | Nothing is more important than health and safety | > | ... not production, not sales, not profits. |
| 02 | All accidents can be avoided | > | ... there are no inevitable accidents. |
| 03 | Safety is Management's responsibility | > | ... and it must be managed, as such. |
| 04 | Safety is an individual responsibility | > | ... and a condition of employment, and of procurement for collaborating companies. |
| 05 | All work must be planned and carried out with a focus on safety | > | ... ours, that of our employees, collaborating companies, visitors, customers and the community. |

Pillars of the Health and Safety and Commitment

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

2. Risk management

For the assessment and control of health and safety risks, Naturgy has technical procedures and standards of a transversal nature that apply to the whole group. The Business Units, which now have greater autonomy and responsibility in health and safety management, guarantee the dissemination and implementation of these procedures and standards and ensure an adequate level of operational discipline in the way they are applied.

The safety management model articulates different tools that have been developed around the company's main health and safety vectors and that guarantee adequate integration at all organisational levels, from decision-making to any activity that is carried out or ordered.

Naturgy has an occupational health and safety management system, whose main risks and opportunities have been duly identified and evaluated, to take action to prevent the materialisation of risks and to take advantage of the opportunities that can help improve its performance.

Risk	Causes	Assessment (*)	Actions to address it
Do not qualify for ISO 45001 certification.	Lack of resources, lack of knowledge of the standard, inadequate implementation process.	Moderate	<ul style="list-style-type: none"> - External staff support for implementation. - Integrated Management System (IMS) Coordinators in different areas. - Regular follow-up by the IMS coordinator. - Implementation planning. - Internal audits of the processes involved.
Inadequate maintenance of the Occupational Health and Safety Management System (OHSMS) (non-compliance with action plans, failure to follow up on corrective actions, inadequate management review).	Lack of resources.	Tolerable	Annual monitoring of compliance with the actions of the OHSMS, with issuance of a report.
Loss of preventive culture, ineffectiveness in achieving goals.	Demotivation, excessive information, high number of contracts.	Moderate	<ul style="list-style-type: none"> - Introduce annual safety plans that include awareness and training actions. - Meetings with contractors, transmission of Naturgy values.
Major differences in the implementation and monitoring of EHS in the group.	Greater business autonomy in Occupational Health and Safety.	Moderate	Provide the businesses with the necessary resources for the development of their activity and with hierarchical dependence on the business management.
Inadequate reporting (accuracy of data, roles and responsibilities, etc.).	Organisational changes.	Tolerable	<ul style="list-style-type: none"> - Reinforce the EHS governance model, with training and tools that facilitate reporting.

Risk	Causes	Assessment (*)	Actions to address it
Non-compliance with any legal requirement on OHS.	High volume of applicable legal requirements.	Moderate	<ul style="list-style-type: none"> - Keeping the Themis tool up-to-date. - Performing the legal compliance verification reports. - Compliance controls and Crime Prevention Model.
Accident rate increase.	Lower level of demand and safety monitoring at collaborating companies.	Moderate	<ul style="list-style-type: none"> - Regular monitoring of indicators. - Red safety lines and disciplinary regime. - Coordination meetings.

(*) Risk assessment criteria as set out in NT.00071 Identification, evaluation and control of occupational risks.

Opportunities	Assessment (*)	Actions to address it
Migration to ISO 45001, aligned with the high-level structure of ISO 9001 and ISO 14001, will allow better control of risks, optimise prevention measures to avoid accidents and diseases, and address nonconformities associated with activities and processes.	Optimum	<ul style="list-style-type: none"> - Integration of the organisation's management processes. - Development and maintenance of an effective and efficient management system.
Collaborative work model based on competence centres comprising personnel from the different business areas.	Optimum	Evaluate performance and maintain the instance in the next months of OHS action.
Reinforcement of the preventive culture based on new ways of working (digitalisation, risk perception, organisation-based safety etc.).	Normal	Digital pre-control tool, innovation applied to reduce risk exposure.
Enhance the model of self-diagnosis of the level of implementation of the IMS based on objective criteria (accountability of the business units).	Optimum	Development of a tool that facilitates self-diagnosis of the level of compliance by business units.
Consolidation of centralised tools for the management of core safety processes.	Optimum	<ul style="list-style-type: none"> - Centralised corporate tools (Prosafety, Control A, Themis). - Design, evolution and efficient use of a single system.
Maintaining a certified, third-party audited management system supports compliance and the Crime Prevention Model.	Optimum	<ul style="list-style-type: none"> - Maintain a robust integrated management system team. - Keep certifications up-to-date.
Unified list of root causes for a homogeneous analysis of accident rates in all countries and business units.	Moderate	<ul style="list-style-type: none"> - Regular monitoring of indicators. - Red safety lines and disciplinary regime. - Coordination meetings.

(*) Opportunity assessment criteria:

Optimum: the opportunity can clearly help improve the performance of the OHSMS.

Normal: the opportunity and its impact on the performance of the OHSMS must be analysed and actions implemented considering the costs, level of effectiveness and the scope of the measures of the organisation.

Small: the opportunity may be rejected until the probability of performance improvement in the OHSMS improves.

Beyond legislative compliance, which requires the stoppage of work when workers may be exposed to a serious and imminent risk, Naturgy's health and safety management system incorporates the tool of preventive stoppage of work and activities. This tool empowers any worker, whether they belong to us or to our collaborating companies, to stop or not carry out any activity in which they have detected risk situations not foreseen in the established risk identification procedures.

In the case of collaborating companies, as a fundamental part of Naturgy's commitment to health and safety, proactive work stoppage is included in the safety performance indicators of our contractors with positive evaluation.

Risk assessment and management mechanisms

Naturgy focuses its strategy on avoiding risks and minimising those that have not been eliminated. For the latter, it has instruments for operational control that guarantee that the activity of its workers and collaborators is carried out in the most adequate conditions and in compliance with the contractual, voluntary or legal requirements.

Within Naturgy's health and safety management system, and as one of its key processes, the system used for identification of occupational hazards and risk assessment for the organisation's employees has been defined through corporate standard NT.00071 (identification, assessment and control of occupational risks). Among other issues, it establishes the guidelines for the identification of the risks to which workers may be exposed, the methodology for the evaluation of different types of risks, the responsibilities associated with the execution of these processes and the competencies of the personnel taking part in them, the participation of workers' representatives, the frequency of their performance, the criteria for transferring the resulting information to the employees and the criteria for the review processes that guarantee their effectiveness.

To ensure that all the information identified in this respect is also transferred in an appropriate way to the rest of the "workers" collective (contractor companies, suppliers, visitors, etc.), a coordination process is set up and applied with the contractor companies to make sure these workers receive and are aware of the relevant information on the hazards and risks as well as the health and safety measures to be applied when performing the activity, in such a way as to minimise the risks associated with the contracted activities and guarantee that their level of safety is the same as that of their own personnel. This process considers different actions that are applied depending on the type of contract, the activity contracted and the work centre where it is carried out, such as:

- Definition of health and safety contracting prerequisites.
- Setting up the corresponding means of coordination according to the type of activity contracted (documentary exchanges, coordination meetings, etc.).
- Control and supervision of the safety conditions in the performance of the works where necessary.

Similarly, in the case of workers recruited under a temporary employment agency service provision scheme, a process is applied to ensure that, before the worker is actually hired, he or she receives information on the risks associated with the work to be carried out and the work centre where it will be performed, as well as the protection and prevention measures to be taken against such risks.

The safety management model articulates different tools that have been developed around the company's main health and safety vectors and that guarantee adequate integration at all organisational levels. Naturgy has developed and implemented operational controls that ensure effective management of occupational risks, in accordance with the standards. The performance in 2020 of these inspections, monitoring and control mechanisms implemented in all business units was as follows:



6,289

Preventive safety
observations.



24,054

Documented occupational
safety **inspections.**



3,145

Zero
Tolerance **records.**



100 %

Investigation of
accidents and incidents
that have occurred.



Lessons
learnt.



Safety
contacts.

In addition, and to facilitate notification of deviations in safety and risk conditions and to redress these, without this being of a disciplinary nature, Naturgy has introduced the "Zero Tolerance" tool. The tool's purpose is to demonstrate that unsafe behaviours are not tolerated at Naturgy and that, if they are detected, we get involved in resolving them. Accordingly, all Naturgy personnel are responsible for detecting, resolving and reporting deviations as part of their commitment to safety. The development and application of "Zero Tolerance" is done according to the Health and Safety Standard NT.00041.GN-SPESS Zero Tolerance with deviations (0 Tolerance).

Ultimately, all workers have the Code of Ethics channel where they can make complaints about important safety breaches that have to be treated confidentially, impartially and without fear of reprisal.

Any findings that arise from Naturgy's monitoring mechanisms and periodic review of hazards and risks are duly incorporated into the integrated management system, to ensure that it remains effective, efficient, and valid in achieving the intended objectives and goals. Therefore, a specific review is conducted in the field of health and safety of the integrated management system, bringing together the different conclusions and proposals, along with other information considered relevant, in a global review report of the system at Naturgy level. This is pursuant to the management review procedure of the integrated management system (PG.00005), which defines the methodology and responsibilities.



Risk map and process safety management

Process safety is a necessary complement to occupational and industrial safety in order to manage all risks associated with the facilities and their operation. The maintenance and verification programmes for regulatory compliance of facilities are supplemented by process safety management standards aimed at ensuring the mechanical integrity of assets, management of changes both in personnel and in technology and facilities and adequate management of possible emergencies.

Each business unit has an updated view of the risk levels of its main facilities, which allows it to focus on higher risk situations in a standardised way and thus to be able to prioritise actions aimed at:

Maintaining:

- Facilities in good condition.
- A reliable service.
- Operating license.
- Good relations with authorities and communities.
- Reputation.
- Creating value and employment.
- An image of lower risk for investors.
- Improving competitiveness, efficiency and costs.

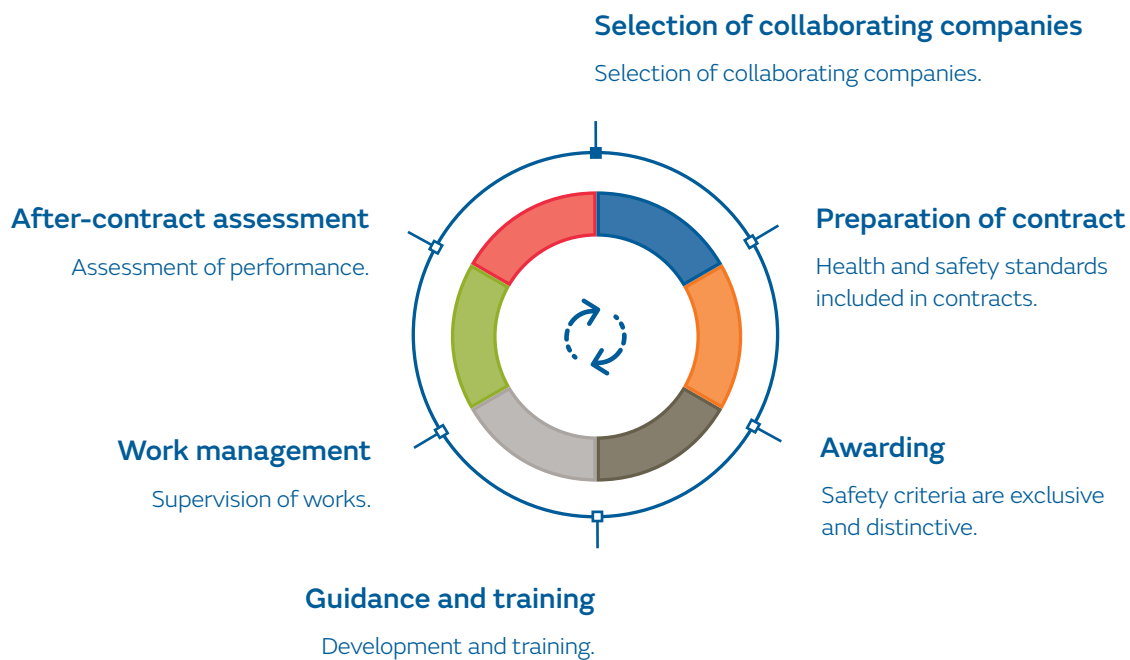
Avoiding:

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

Prevention of risks at collaborating companies: suppliers, contractors and subcontractors

The group's commitment and its extension to collaborating companies requires strict control of the critical factors that have the greatest influence on the most serious accidents. To this end, specific management mechanisms are applied to ensure this level of demand, promote continuous improvement and significantly reduce the accident rate in the collaborating companies:

- They are not invited to the selection process if they do not meet the health and safety requirements.
- They can be disqualified if they do not meet the contractual safety and health requirements.
- Safety proactivity is assessed by applying positive metrics criteria: incident reporting, implementation of safety improvement actions.
- Priority for employee training: demand of individual training certificate, verification of legal accreditations when required.
- Application of a sanctions regime if non-compliance is detected.



■ Accident indicators of contractors

	2020	2019
No. of lost time accidents	66	194
Days lost due to lost time accidents	2,624	5,832
Deaths	5	1

In general, the accident rate of collaborating companies has seen a significant reduction in the number of accidents, mainly due to the reduction in non-essential operational activities during the COVID-19 lockdown. However, there has been a significant upturn in fatal accident rates.

In relation to the latter, the research processes carried out have shown that:

- In three of the cases, a lack of perception of the real risk associated with the activity was identified, as was non-compliance with established safety protocols. This lack of operational discipline in the performance of activities may be related to a reduced capacity to monitor and control operational activities due to the COVID-19 situation.
- The other case (with two fatalities) was part of a pilot project for the construction and assembly of wind turbines with concrete segments, which cannot be traced back to previous events.

Management and investigation of accidents and incidents

Investigation and analysis of events are essential for the identification of actions aimed at minimising risk situations, improving the safety of operations and reducing the associated accident rates. In 2020, 6,316 incidents and accidents have been analysed and investigated and proactively reported throughout the organisation.

The basic action criteria for identification, processing and investigation of the causes of accidents and incidents are defined in the standard Process for the communication, investigation and monitoring of accidents and incidents (NT.00035), or in the Procedure for the management of findings of the Integrated Management System (PG.00007) in the case of deviations identified in the processes, or when non-conforming products and/or services are detected.

The investigation process begins as soon as the event becomes known, with the persons who will carry out the investigation being present on the spot (if necessary), to find out “in situ” the circumstances under which it occurred, collect physical evidence and start gathering information (photographs, diagrams, measurements, operation records, etc.). This information is then supplemented with any interviews, review of procedures, trials or analyses that are deemed necessary.

Throughout the process it should not be overlooked that the purpose of the investigation is:

- To identify the primary and underlying causes, as well as the factors that contribute in some way to the accident/incident: why?
- To identify, if necessary, measures to prevent or reduce the risk of the event repeating itself, establishing the appropriate improvements: learning.

The processes of investigation into accidents and incidents involve participation by the workers' line managers, those responsible for the activity, process or facility affected, the workers involved, the workers' representatives and any other person who can provide relevant information to determine the causes that produced the event.

To facilitate the first purpose, Naturgy has a unified incident investigation system, which guarantees the analysis of events and the identification of actions aimed at minimising risk situations, improving the safety of the operations and reducing the associated accident rate. The model is based on root cause analysis, optimised according to existing best practices and the HFACS (Human Factor Analysis Classification Scheme) methodology. The model pivots on the following action areas:



This change helps in reporting and investigating accidents in the following ways:

- Optimising analysis and comparing between business units.
- Helping in the process of capturing information and disseminating lessons learnt.
- Shedding light on root causes through gradual reflection.
- It discriminates between responsibilities and analyses the hierarchical levels at which to act.
- Helping in adopting short and medium-term measures including the review of processes, activities and applicable standards.

In relation to the second purpose (the introduction of improvements), any finding arising from the research feeds into the risk assessment, so if the need is detected, a review of the risk assessment is carried out, recording the reason. It also opens the corresponding non-conformity, corrective and preventive actions of the integrated management system of quality, environment, health and safety, to restore compliance as soon as possible in order to minimise consequences and avoid a repetition.

3. Communication to employees and action plans

Every year, Naturgy publishes the group's health and safety performance to inform all its stakeholders. It regularly carries out in-house communication actions aimed at the entire organisation. In all communications, it takes into account diversity issues and the views of stakeholders, including suppliers and visitors.

The company has a specific channel on the intranet to guarantee global dissemination of health and safety content.

With regard to the COVID-19 crisis, a specific communication plan has been drawn up to disseminate the action protocols established (prevention measures, return protocol, etc.). Specifically, weekly safety contacts have been maintained, focusing on COVID-19, to disseminate all recommended hygiene and prevention measures during the lockdown phase and online events for communication of the situation and measures addressed by Naturgy.

Consultation and participation

The ambitious project of cultural change that began in 2012 would not have been possible without the involvement and collaboration of Naturgy's workers at all levels. Empowering people through consultation and participation in safety, health and well-being is a priority in order to identify, correct and eliminate situations of potential risk and optimise results.

Through the procedure PG.00009 (Internal and external communication, consultation and participation of the integrated management system of quality, environment, health and safety), Naturgy establishes, implements and maintains specific processes and bodies for consultation, participation and two-way communication with employees:

- Health and Safety Committees, a joint and collegiate body representing workers.
- Various channels for participation and consultation—notice board, personalised letters, intranet, suggestion boxes, Employee Care Service (SAE)—through which anyone can propose ideas, comments, complaints or improvements, without barriers or obstacles.
- Regular health and safety meetings are also held to ensure smooth communication between unit managers and their teams in accordance with the Health and Safety Standard: Regular health and safety meetings (NT.00056). These enable us to keep the commitment in this area alive and to promote awareness and participation of all employees, also responding to their information needs through their lines of command.
- Individual commitment is enhanced through tools such as Zero Tolerance, Preventive Safety Observations and Documented Safety Inspections.
- Ultimately, all workers have the code of ethics channel where they can make complaints about important safety breaches that have to be treated confidentially and impartially.

As required by ISO 45001, Naturgy guarantees disclosure of the results of the management system review by Management to the workers' representatives, encouraging their collaboration in the review and continuous improvement of the management system.

The Health and Safety Committees, represented equally by the company and workers, are the joint and collegiate bodies representing the workers and through which the participation and consultation of the workers in matters of health and safety, operational and process safety reporting is basically instrumented.

The Health and Safety Committee has the following competences:

- To take part in the elaboration, implementation and evaluation of risk prevention plans and programmes.
- To discuss projects in the field of planning, organisation and development of work and protection and prevention activities, including training in preventive matters.
- To promote initiatives on methods and procedures for the effective prevention of risks, proposing to the company the improvement of conditions or the correction of existing deficiencies.
- To be directly aware of the situation regarding occupational risk prevention, making the visits it deems appropriate for this purpose.
- To be aware of the documents and reports relating to working conditions that are necessary for the performance of its duties.
- To be aware of and analyse the damage caused to the health or physical integrity of workers, in order to assess its causes and propose appropriate preventive measures.
- To be aware of and disclose the annual report and programming of prevention services.

These Health and Safety Committees meet on an ordinary basis at least once every quarter, and on an extraordinary basis when very relevant events occur or at the request of any of the parties.

Due to the COVID-19 crisis, extraordinary meetings of the Health and Safety Committee were held to monitor the evolution of the Naturgy staff, to present the status of the application of the ad hoc plans to address this crisis and to contrast the measures to be applied in the different areas of activity of Naturgy (offices, stores, critical facilities, home care, etc.).

Dissemination

Regarding outreach activities, as part of the Health and Safety Commitment we can highlight the internal dissemination to all the company's personnel regarding own or third-party events, from lessons learnt to best practices. Everything learnt is available on the intranet platform and the most relevant cases are disseminated individually. The content of this dissemination is reaching contractor companies through the businesses.

At the same time, Naturgy promotes actions aimed at improving the safety of the environment in which it carries out its activity, where the following activities are particularly important:

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



4. Training and awareness

By carrying out health and safety training and awareness actions, people are encouraged to get more involved in the organisation. As a result of the cultural change implemented years ago, Naturgy has a variety of consolidated learning and improvement tools and relies on the Occupational Risk Prevention Classroom, —a tool of the Corporate University— to meet the established objectives.

The training itineraries defined are aimed at training employees in the risks and safety measures to be applied when carrying out their activities. These itineraries highlight training associated with the most critical risk factors such as electrical risk, working at height, working in confined spaces, cargo handling, road safety, etc., as well as other activities aimed at improving the level of risk perception and health and safety leadership.

In 2020, this issue has been the area of knowledge on which most hours have been spent, training a total of 26,353 participants, over 2,084 sessions, which translates into 60,305 training hours.

As a measure to accompany the return to the offices, compulsory prior training has been given to all workers to inform them of COVID-19 safety and prevention measures in offices. This training was available either online or through the corporate university in webinar format and was given by a group of volunteers.

Training of collaborating companies

Within the integral health and safety management model for collaborating companies, work is being done to extend the culture of health and safety to suppliers, collaborating companies and their employees, promoting a change in culture through the dissemination, awareness and increased sensitivity about health and safety, and by making the lessons learnt by Naturgy available to collaborating companies.

In 2020, the contents of the leadership and health and safety awareness courses were updated, aimed at middle management and operational personnel of the collaborating companies. An individual certificate of training in this field is required for the employees of collaborating companies who carry out activities with Naturgy.

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



Safety among employees, customers and society

The safety of people is one of the main commitments of Naturgy's corporate policy, involving not only employees, but also suppliers, collaborating companies, customers and other stakeholders. The duty involves identifying the safety risks to which people are exposed in their work and travel, and the necessary measures or actions with which to mitigate them.

- **Protocols for actions at home and at customers' facilities.** To pass on to Naturgy staff the safety standards issued by the competent health authorities in order to work safely against the COVID-19 pandemic. With regard to face-to-face visits, only those that were essential have been carried out. Within the operational protocols, the protocol for action in home operations has also been reviewed to adapt it to the lockdown easing phase.
- **Safety protocols at Naturgy stores.** In order to pass on to collaborators the instructions given by the competent authorities and protecting the employees of the stores and the customers. These documents have been updated based on publication of new regulations and generating an action protocol for each lockdown easing phase with the prevention measures and permitted capacities.

Naturgy establishes and maintains effective communication channels with customers regarding to:

- Information concerning the product/service, and its safety.
- Service Level Agreements (SLA).
- The consultations, contracts, handling registrations, cancellations and modifications.

- Customer feedback, including complaints.
- Incident management.
- Protocols for action in emergency situations/contingency actions.

The information obtained, especially complaints or claims, is used as an opportunity for improvement to increase the levels of customer satisfaction in their dealings with Naturgy.

As for the dangers and risks of the product or service, before promoting the commercialisation or provision of any service, all applicable requirements are clearly determined. This is to develop products and services that respond to demand and improve the level of safety and satisfaction. Requirements can be defined by the customer (needs and expectations), regulations, standards (internal and external) or be intrinsic to the service.

This means that purchased products and/or contracted processes that may have implications on quality, safety, health and welfare of people, safety of facilities or have a significant environmental impact, are verified to ensure they meet the requirements set out in the purchase documents. The verifications to be carried out in each case are defined in the regulations or specifications associated with the product or service in question.

In addition, whenever necessary each Unit establishes the necessary mechanisms for the preservation and control of the product during the internal process and delivery to the intended destination, to maintain compliance with requirements, including, if applicable, identification, handling, packaging, storage and protection.

Furthermore, changes in production or service delivery, whether planned or unplanned, that may affect compliance with requirements are also reviewed and controlled, and action is taken to mitigate any adverse effects as necessary.

Below are the accidents, injuries and casualties, among the public, that occurred during 2020 and 2019 that have been investigated for their possible relation to the company's activities, classified by country and business type.

		2020				2019			
EU25 Injuries and fatalities to the public due to company activities		Accidents (No.)	Injuries (No.)	Deaths (No.)	Legal actions (No.)	Accidents (No.)	Injuries (No.)	Deaths (No.)	Legal actions (No.)
Argentina	Gas business	12	10	4	0				
	Electricity business	0	0	0	0	5	2	0	2
	Total	12	10	4	0	5	2	0	2
Brazil	Gas business	0	0	0	0	0	0	0	0
	Electricity business	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0

Continues >

		2020				2019			
EU25 Injuries and fatalities to the public due to company activities		Accidents (No.)	Injuries (No.)	Deaths (No.)	Legal actions (No.)	Accidents (No.)	Injuries (No.)	Deaths (No.)	Legal actions (No.)
Chile	Gas business	0	0	0	0	19	11	15	Pending delivery from the Prosecutor's Office
	Electricity business	24	23	4	2				
	Total	24	23	4	2	19	11	15	0
Spain	Gas business	24	84	1	2	47	136	2	2
	Electricity business	1	0	0	0	8	11	1	n/a
	Total	25	84	1	2	55	147	3	2
Panama	Gas business	0	0	0	0				
	Electricity business	1	1	0	1	1	0	1	1
	Total	1	1	0	1	1	0	1	1
Mexico	Gas business	2	4	1	1	17	2	0	0
	Electricity business	0	0	0	0				
	Total	2	4	1	1	17	2	0	0
Total	Gas business	38	98	6	3	83	149	17	2
	Electricity business	26	24	4	3	14	13	2	3
	Total	64	122	10	6	97	162	19	5

5. Certifications, safety audits and process diagnostics

Naturgy has completed the implementation of an occupational health and safety management system, audited and certified by a third party in accordance with the ISO 45001 specification and whose scope is global, including all businesses and countries. Beyond being a requirement in force as of 2021, it constitutes a strategic and operational decision for the company in order to take advantage of the benefits that this new standard brings, not only in terms of safety, but also in its better integration with the quality and environmental management systems that already exist at Naturgy.

In order to verify compliance with current legislation and the effectiveness of the system, an annual audit plan (internal and external) and safety diagnostics are carried out, focusing on the most critical risk processes. All the external audits carried out (AENOR) concluded with a positive assessment of the level of implementation and integration of the management system in all the processes audited, which is effectively maintained and which complies with the obligations established by the legislation in force with a focus on improving performance in the area of occupational health and safety.

Recognising a job well done

As health and safety management is a material area for Naturgy, it is not an option but an obligation and a key factor of business leadership that cuts across all decisions and actions taken, both internally and in collaborating companies. This excellence in safety, stable over the years, has been recognised on a global scale in the form of various initiatives, awards and prizes:



⁽¹⁾ Best company in safety in EMEA (Europe, Middle East and Africa).

⁽²⁾ Safety Achievement Award for excellence in employee. Safety Achievement Award for excellence in safety fleet.

⁽³⁾ Business Monitor Award in excellence in Prevention, Health and Safety.

⁽⁴⁾ "Best occupational road safety initiative" Award.

⁽⁵⁾ Commitment to Occupational well-being and Improvement in ORP.

⁽⁶⁾ Award for the promotion of physical activity and healthy habits.

⁽⁷⁾ Juan Godoy Award, company with best management in OHS material.

⁽⁸⁾ National Security Council Award | Excellence in Risk Prevention Awards | Effort Award.

6. Comprehensive health

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make available to employees, their relatives, 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 healthcare, in a customised way, as well as training and information with regard to healthy habits, taking into account both individual needs as well as the particular circumstances of each country.

Master Health Plan

This plan defines the strategic guidelines and establishes the general framework for action of Naturgy in the field of 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 advisors for the development, monitoring and control of the plan in each of the areas.

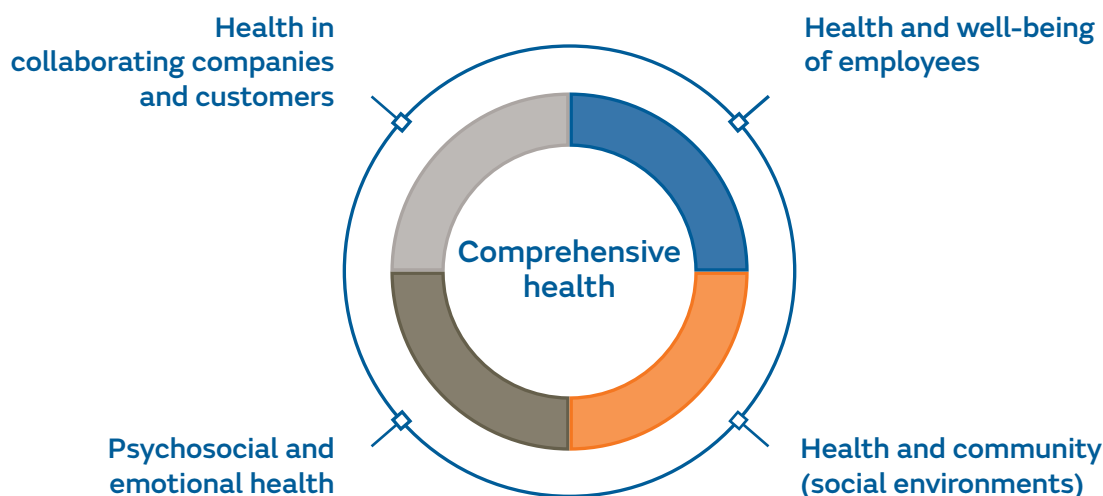
Master Health Plan targets

Standardised actions	Ensuring the health of workers, developing standardised actions and respecting differences inherent in each country.
Compliance with regulations	Monitoring compliance with the relevant regulations to each area in the field of health.
Development of activities by external collaborators	Coordinating the development of activities by external collaborators and establishing monitoring and control measurements.
Definition of indicators	Defining the indicators necessary to assess the implementation and development of the Master Health Plan, as well as all of the involved activities.
Continuous training	Ensuring continuous training of professionals in the activity, information about the latest technological developments and promoting creativity for innovation.

Actions for employees' health

Occupational health services for employees

Medical Assistance and Integral Health is the organisational unit formed by a multidisciplinary team, whose function is to guarantee the health and physical, psychological and social well-being of all workers, carrying out a set of activities related to the monitoring of workers' health, ergonomics and applied psychosociology and the promotion of health beyond the workplace.



Every year, this unit defines lines of action and sets out the general framework for Naturgy's activities in the field of health, which it applies to all business areas at national and international level and ensures that processes and actions are carried out in a uniform way, respecting the inherent differences of each country.

This plan is implemented through the following lines of action:

1. Integral healthcare in the workplace.

- Introduce the necessary measures to preserve the health and well-being of employees and involve management and worker representation to ensure the sustainability and effectiveness of the model.
- Develop an annual health plan that includes medical examinations, as well as preventive campaigns aimed at all employees, with emphasis on those who carry out activities of special risk.

2. Support for persons suffering from common illness and accidents.

- Efficiently manage the self-insurance for occupational accidents.
- Manage and coordinate appropriate improvement measures to reduce absenteeism.

3. Medical care.

- Offer medical and/or nursing consultation and emergency care at workplaces where there are health personnel.
- Introduce actions to improve the quality of life at work and outside work for workers, their families and the social settings in which the company operates.

4. Management of individual aspects of person-position interrelationship considering both the special sensitivities of the workers and the ergonomic needs.

- Adapt the workplace to the person, to avoid injuries that could result from it (overloading, etc.).
- Define and coordinate procedures for ergonomic risk assessment for all countries.

5. Prevention of psychosocial conflicts and promotion of psychological well-being.

- Manage work stress through the post-traumatic stress prevention device and the full attention / mindfulness project.
- Evaluate and propose solutions to eliminate or minimise psychosocial risks derived from the interrelationship of people and their socio-labour environment.

As well as in three support or transversal axes that are:

National and International Coordination.

- Govern and support the development and monitoring of the integrated management system and the Healthy Company certification in the countries.
- Implement and develop corporate policies at a global level to support people in situations of common illness and accident.

Integrated management.

- Promote the health of all the company's stakeholders.
- Work across the board to achieve safe and healthy working environments.

Training and communication.

- Promote training in health and welfare to: the health team, employees, suppliers and families.
- Increase the visibility of the Health functions to generate culture in healthy habits in work and non-work settings.

To guarantee the organisation and quality of Naturgy's employees health services, the company's objectives to improve the standards of occupational health services are reviewed each year and an action plan is drawn up and followed up on the basis of indicators.

The Medical Assistance and Integral Health Unit systematically proceed to the identification and analysis of any health-related aspect that may be susceptible to being taken into account.

Likewise, these activities are included in the annual process of internal and external audits of the integrated management system, as well as the audit of the Healthy Company certification. This is in addition to the company's own audits for accreditation with official bodies.

The integrated management system is reviewed each year to ensure it remains valid and is compliant with our Corporate Responsibility Policy, also taking into account other documentation such as the results of internal and external audits, the results of process performance and the monitoring of the area's objectives.

In addition, the Integral Health area monitors its activity and evaluates the results and impact achieved using several quantitative and qualitative methods and indicators. Among other things, the number of medical examinations, the number of injuries that are precursors to serious illnesses detected in time, staff participation in the campaigns, absenteeism rates, the number of psychosocially evaluated posts, as well as the interventions carried out in this regard, are counted and evaluated, as are the number of posts with ergonomic evaluation, ergonomic actions carried out at the request of workers, etc.

Healthy company model

It should be noted that Naturgy is certified as a healthy company according to the Healthy Company Model inspired by the World Health Organization model and implemented by AENOR. This means that, during the certificate validity period, AENOR carries out annual audits to monitor the Healthy Company management system, to check whether it is being effectively implemented and whether the conditions that led to its concession are being maintained.

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

This certification establishes the requirements of a management system for organisations committed to the principles and existing international recommendations for healthy companies that want to promote and protect continuously health, safety and welfare of workers and sustainability in the working environment of their workers, their families and the community in which the business operates.

The scope of the international implementation of this model extends to Argentina, Brazil, Chile, Morocco, Mexico and the Dominican Republic. In addition, on the international stage, work has been carried out on the inclusion of the healthy company model in the Naturgy Integrated Management System, using the Enablon tool and the Management Review Report to manage its activity.

Workers have access to all the company's health information. Naturgy follows a policy of personalised/individual and committed attention to those Health and Wellness issues that need to be handled by the professionals that make up these teams and the individual awareness of the workers in health and wellness, to achieve a healthy and committed company with the communities where it operates.

To facilitate this access, several communication channels are placed at the employees' disposal so that they have information and access to this service:

- **Employee Care Service (SAE).** Employees access health services directly after the appointment request that is given through the employee care service. In addition, this service serves to directly resolve questions and requests in this area.
- **Communication.** An important effort is underway to deepen the company's health culture through awareness and communication. Since 2013 to date, the aim of the campaign "Your health always on your agenda" is to educate people working at the company and their families about the importance of protecting their health and prevention to ensure future quality of life, under the view that the welfare of the employees is also the welfare of those around them. During 2020, due to the pandemic, this channel has been used on a daily/weekly basis in order to convey to employees the most relevant aspects of health and well-being.
- **Training.** The health model implemented has led Naturgy to promote the contents as part of the group's Corporate University, incorporating and developing the key training itineraries for this purpose.
- **Intranet.** Employees can access the comprehensive contents of the intranet on different subjects to care for their health: nutrition, mindfulness, prevention of musculoskeletal injuries. This section was updated in 2020 with information, protocols and health contacts related to COVID-19.
- **My Benefits Portal.** From this portal, which is accessible from different devices (PC, Tablet and Smartphone), employees access different health-related services such as their health insurance and policies, as well as informative content (videos / health contacts).
- **Consultation and participation.** All the actions and campaigns set out in the Annual Health Plan are submitted to the Health and Safety Committee so that the workers' representatives can express their opinion on the proposals of the health team and consult their doubts, as well as propose health campaigns that may be of interest to them.

Promotion of workers' health

The health model approach, described in the previous point, is supplemented by a series of additional/supplementary campaigns and actions, going beyond mere legal compliance, going beyond work-related health, and directly impacting on individual aspects of workers that could pose a risk to their health.

These campaigns and actions seek to increase personal, physical and emotional well-being, and to combat risk factors and health stressors, resulting from a contemporary lifestyle and habits, encouraging Naturgy workers to enjoy an active and healthy aging.

The most relevant actions carried out in this area are:

- Promoting greater awareness and encouraging self-responsibility as a pillar of living a healthy life.
- Raise awareness towards positive habits and behaviour for our health.
- And training workers to take care of themselves and their families' health.

Prevention campaigns and health promotion

In 2020, we have continued to carry out prevention and health promotion campaigns, giving continuity to campaigns as important as the prevention of cardiovascular risk, or the campaigns to detect precancerous lesions (colon, prostate, lung, gynaecological, etc.) included in the generic campaign "Your health always on your agenda".

Along these lines, prevention campaigns and activities for the promotion of integral health involve:

- Designing, coordinating and disseminating actions aimed at avoiding the appearance of disease (primary prevention) and/or detecting it at an early stage in order to reduce its consequences and improve its prognosis (secondary prevention).
- Designing informative campaigns on healthy living habits to train workers to improve their health and that of their families.
- Promoting campaigns aimed at supporting the communities in which the group operates.
- Furthermore, professionals in the health area collaborate with the social benefits function in the optimisation of employee health insurance (review of health coverage and advice on updating the medical directory).

As a novelty, at the start of 2020 a psychological support service was set up in Spain, through the specialised telephone line in charge of the Trauma, Crisis and Conflicts unit of the UAB psychology faculty; although during January and February, this service was accessed exclusively under medical prescription. It was in March, after the lockdown started, that Naturgy gave free access to any employee (or family member) requiring it.

At the end of 2020, a new cycle of evaluation of psychosocial factors begins, with the participation of workers' representatives, and a survey launched among all employees in Spain.

We should mention that participation by the employee in the annual health plan is absolutely voluntary. There is only one exception to this rule, which is that an annual medical check-up must be carried out in those jobs which, by their nature, pose a risk to third parties. Only in this case, and having notified the workers' representatives of the jobs included in this case, is the medical examination considered mandatory. Health promotion campaigns are voluntary for all groups.

Absenteeism

■ Total Lost Hours ⁽¹⁾

	2020	2019
Spain	285,434	315,410
Chile	165,736	186,882
Argentina	32,488	36,184
Brazil	7,825	15,726
Colombia	0	1,369
Costa Rica	248	252
France	3,136	3,136
Morocco	1,474	1,180
Mexico	6,072	14,424
Panama	3,232	4,666
Peru	256	104
Dominican Republic	3,424	1,432
Uganda	632	493
Total	509,957	581,258

⁽¹⁾ Colombia is not included in the 2020 report. The hours reported from the human resources department have been considered to calculate the total number of hours of absenteeism. The total number of hours worked during 2020 was 21,440,059.



We strive for
performance excellence
throughout the value
chain.

11

Responsible supply chain

Naturgy's contribution to the SDG



11. Responsible supply chain



What does this mean for Naturgy? Risks and management approach

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

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

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



What is our commitment?

- Extending the culture of Naturgy to the supply chain, passing on the target of excellence in service, efficient use of resources and the company's principles of acting responsibly, and encouraging the incorporation of sustainability criteria in their daily management.

- Fostering compliance with the codes and policies of Naturgy in the supply chain, in particular in the area of human rights, ethics, health and safety and the environment.
- Encouraging the hiring of suppliers from the country or region where the company performs its activities against similar competitiveness in other locations, supporting the generation of a positive social impact.
- Fostering practices that encourage traceability and fair trade of raw materials at source.



Evolution and results 2020

	2020	2019
Total number of suppliers ⁽¹⁾	6,553	7,896
Total purchase volume awarded (million euro) ⁽²⁾	1,955	2,510
Assessment of ESG suppliers ⁽³⁾ (number)	7,780	7,407
Number of critical suppliers ⁽⁴⁾	1,458	2,135
Official-approval suspended suppliers	2	-

- ⁽¹⁾ The decrease in the total number of suppliers is due to a decrease in activity as a result of the pandemic and the company's optimisation of resources.
- ⁽²⁾ The total volume of purchases awarded has decreased due to the fact that Moldova was accounted for in 2019 and was no longer in operation during the year; Kenya and Peru have been accounted for only in the months they belonged to the group.
- ⁽³⁾ 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. The number of ESG suppliers assessed includes both the awarded suppliers and the potential suppliers that have qualified to participate in Naturgy's tender.
- ⁽⁴⁾ The total number of critical suppliers is reduced due to the decrease in the total number of suppliers and the updating of the risk matrix of the purchasing categories.

	Target 2021	Target 2020	2020	2019
Purchase volume assigned to local suppliers ⁽¹⁾ (204-1)	85%	85%	95.22%	92.37%
Coverage level of ESG audits over purchase volume with high ESG risk	65%	65%	69.57%	60.71%
Percentage of purchase volume with acceptance of the Code of Ethics	90%	85%	89.21%	81.06%

- ⁽¹⁾ Local supplier: supplier located in the same geographical area where the purchases are made.

1. The supply chain of Naturgy

The company performs the procurement of works, goods and services, as well as the assessment, monitoring and development of suppliers in accordance with the general principles established in its policies, rules and procedures, as well as internationally recognised principles of good governance, ensuring a uniform, efficient and sustainable model that goes beyond regulatory compliance with legislation. In 2020, Naturgy set up trade relations with a total of 6,553 suppliers which accounted for a total expenditure of Euros 1,955 million.

Naturgy suppliers according to the nature of their activity

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

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

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



2. Management of the supply chain

Purchasing Model

The Purchasing and Supplier Management model introduces a management process with unified and overarching criteria for Naturgy's entire scope of operations. Key processes of the purchasing and supplier management functions are centralised, carrying out a global coordination that makes it possible to identify improvement opportunities. The generation of positive social impact is supported by promoting the contracting of suppliers from the country or region where the activities are carried out, preserving the group's reputation and ensuring Naturgy's sustainable principles of action in the purchasing and procurement processes. In particular, in environmental, social and good governance matters, we guarantee ethical behaviour and human and labour rights, transparency, full and fair opportunity, respect for the interests of stakeholders, respect for the principle of legality and international standards of behaviour, focus on needs, integration and continuous improvement, among others. The levers and measures that activate Naturgy's purchasing model are the following:

Activators

Naturgy's policies and codes

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

Preventive

Naturgy standards and procedures

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

Corrective

Naturgy Standards and Procedures

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

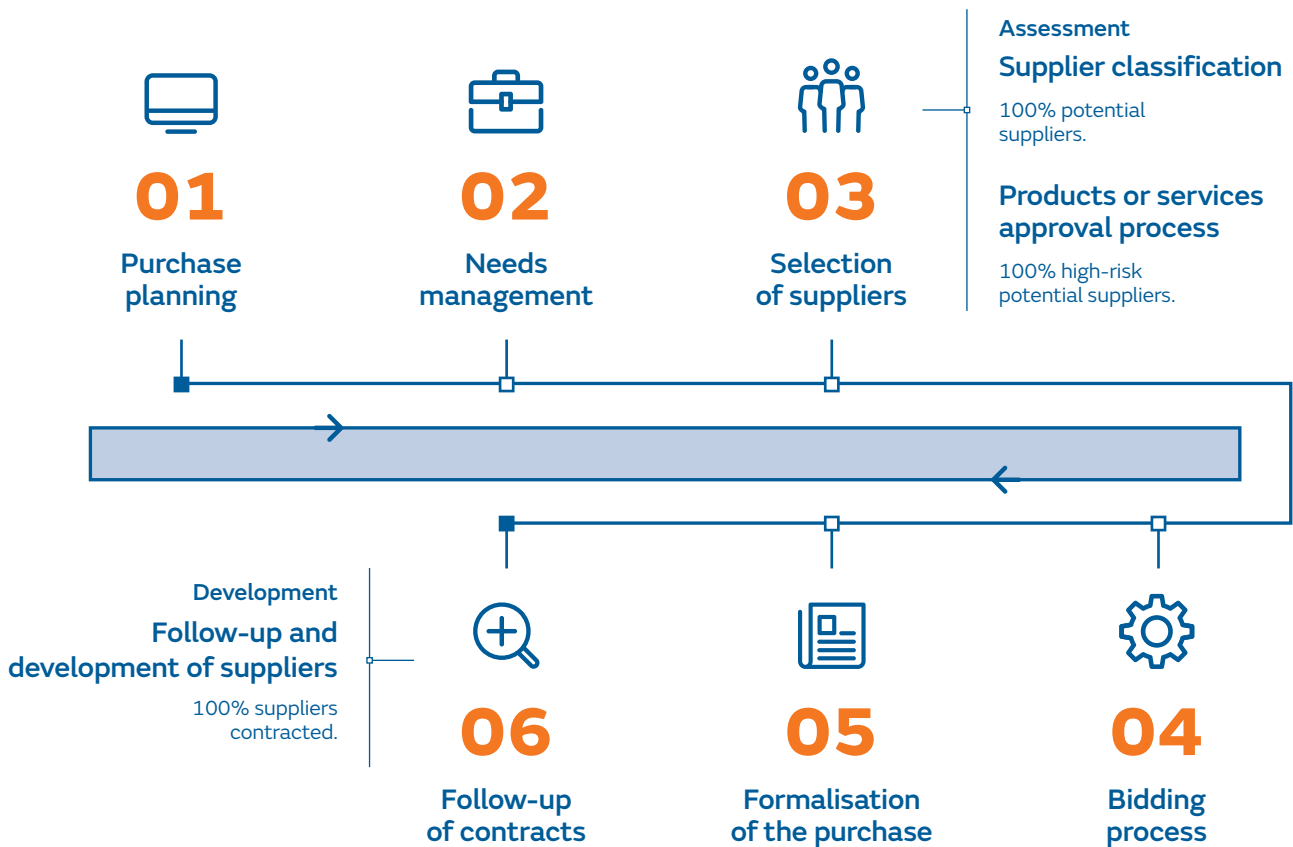
Elements to be highlighted in the management of the Naturgy supply chain

Corporate Responsibility Policy	It lays out the company's commitments, actions and indicators for responsible management of its supply chain.
Supplier Code of Ethics	Since 2016 all group suppliers have to adhere to the Supplier Code of Ethics. In this way, Naturgy promotes the extension of the company culture to the supply chain.
Human Rights Policy	Naturgy's Human Rights Policy extends to the Supplier Code of Ethics. The assessment of suppliers includes issues related to human rights practices that are used to exclude suppliers in the event of an unsatisfactory response. In 2020, no breach of human rights at suppliers was detected.
Transparency in purchases and communication with suppliers	<p>In terms of procurement, Naturgy is committed to ensuring free competition, objectivity, impartiality, transparency and traceability throughout the procurement process:</p> <ul style="list-style-type: none"> - The use of secure electronic means for management of all tenders brings greater transparency to the procurement process and ensures information traceability. - Communication channels have been established with the supplier that facilitate access to all the information necessary for their participation in the procurement processes: <ul style="list-style-type: none"> ▪ A specific section for suppliers on the Naturgy website. ▪ The Supplier Portal, an online platform for transferring technical regulations to the supplier, notifying updates and managing orders. ▪ The Supplier Channel is the online tool available to the supplier to sort out any doubts or incidents or for any queries or suggestions.
Reporting Channel	All suppliers, contractors and external collaborating companies can contact the Ethics and Compliance Committee of the company through the web channel published in the Naturgy Supplier Code of Ethics.

Naturgy establishes a procurement process that aims **to meet the needs** of goods and services efficiently.

Supply chain management process

In order to promote responsible management in the supply chain, Naturgy establishes a procurement process that aims to meet the needs of goods and services efficiently. It covers all stages of procurement from identification of the need for a good or service to the follow-up of the management of contracts or orders. Procurement will be based on unified and universal contractual conditions for the entire scope of the group's activities, which include, among others, social and environmental clauses. Accordingly, in 2020, anti-corruption clauses and ethical practices have been included. The General Terms and Conditions of Contracting and the Country Specific Conditions are published on the relevant group websites.



Policies and procedures for supervising the management of subcontracted activities

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

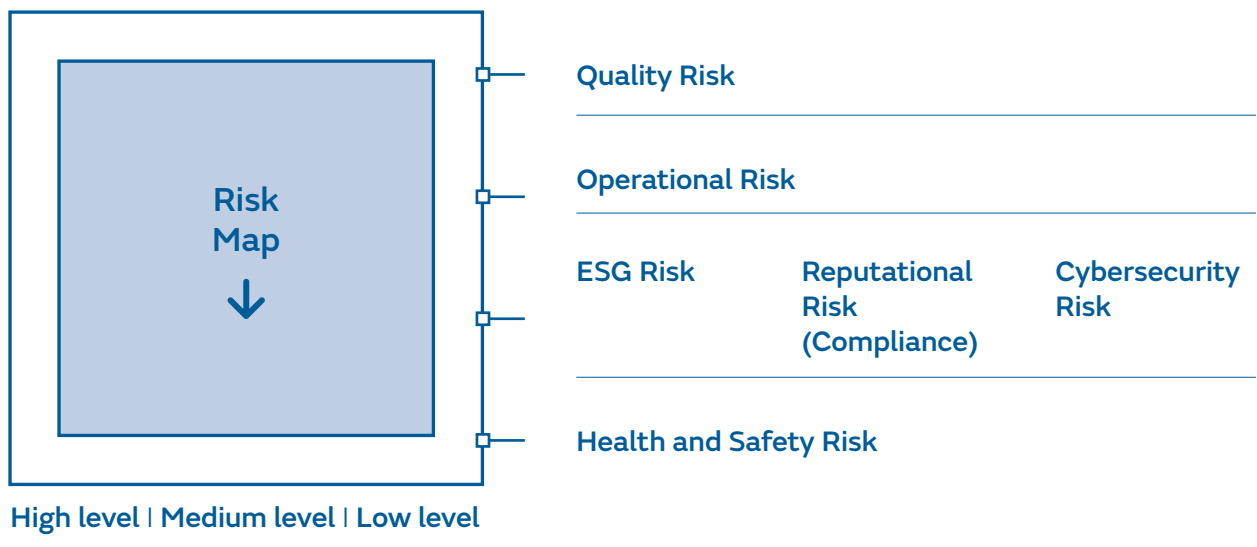
Risk management of the supply chain

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

The risk factors considered are:

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

- **Legal Risk:** possibility of infringements and breaches by suppliers of laws, rules and practices that apply to them. To contract a supplier and for the contractual term, it is compulsory to prove compliance with the remuneration, tax and workers' rights obligations, as well as to provide the civil liability coverage required in accordance with the product or service contracted for which vicarious liability may be claimed.
- **Reputational Risk (Compliance):** refers to the potential reputational damage that could result from the perpetration of a fraudulent or anti-competitive act by a supplier, contravening the ethical standard of compliance established in the Naturgy Supplier Code of Ethics. The impact on reputation is a consequence of collusive actions and behaviour or fraudulent competition (including the duty to inform the contracting authority of the existence of conflicts of interest) that fail to respect the principles of equality, free competition, transparency and integrity, and may lead to undesirable consequences such as exploitative labour practices, negative publicity, cost overruns in the construction and maintenance of facilities.
- **Financial Risk:** assesses the economic impact on operations that may be incurred by the group in its service to customers as a result of a lack of continuity in supply or the deterioration of a good or service by suppliers that have been awarded contracts.
- **Cybersecurity Risk:** assessment of the risk inherent to the processing of information assets, knowledge or data that are of value to the group and with particular relevance to the risk of processing personal data pursuant to Regulation (EU) 2019/679, and which could lead to the failure of strategic infrastructures, the leaking of confidential information, or technological and telecommunications interruptions.



Legal Risk



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

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

In 2020, the group started updating the risk matrix of the purchasing categories, with the revised valuations of each purchasing category in all aspects of the risk factors and the present values of the internationally recognised indicators for the risk of each country.

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

In 2020, the number of suppliers with a valid contract in critical activities was 1,458, representing 54.75% of the purchase volume. In addition, the company has identified 66 non-tier 1 critical suppliers, mainly corresponding to categories of purchase of critical products that represent 1.02% of the overall purchase volume.

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

In the 2020 update Naturgy has differentiated the aspect "Atmosphere" in "Climate Change" and "Pollution", and has introduced a new social aspect, "Freedom".

Process map and sustainability criteria included in the ESG risk matrix



Environmental Risk Factors

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

Good Governance Risk Factors

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

Social Risk Factors

Community well-being.
 Human rights.
 Employee rights.
 Personal data protection.
 Safety and quality of products.
 Freedom.



ESG Risk Map (activity/country)

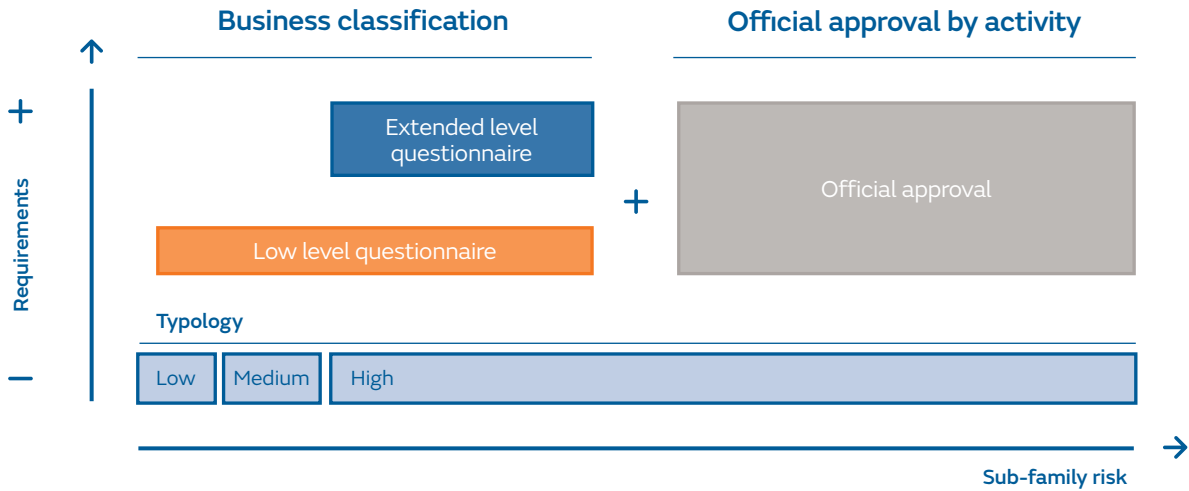
High level | Medium level | Low level

In this way, Naturgy identifies the suppliers with high risk in sustainability, considering those that reveal a high risk level in the Health and Safety and ESG factors. In 2020 the number of suppliers in this category was 701, representing 42.27% of the total purchase volume. 95% of these suppliers present a high Health and Safety risk as this is the predominant factor due to the nature of the activity carried out by Naturgy, construction, operation and maintenance of natural gas networks, electricity networks and power stations.

Assessment of suppliers

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

Risk map by purchase category



Business classification of suppliers

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

In 2020 Naturgy updated the business classification model of suppliers, with a basic level for suppliers with medium and low risk that ensures their adherence to Naturgy’s Supplier Code of Ethics and the declaration of compliance with the main legal, tax, organisational, environmental, social, health and safety, cybersecurity, compliance, quality and personal data processing criteria required by Naturgy. The extended level, for high-risk suppliers, additionally requires an extended questionnaire and evidence of financial, sustainability, health and safety, and compliance information. The classification is managed by registering on the Achilles platform - supplier classification system - and critical suppliers are required to register in the RePro Community of the energy sector in Southern Europe and South America.

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

In 2020 Naturgy has conducted the ESG assessment of 7,780 suppliers, including potential and active ones, which have to be assessed on an annual basis. The number of suppliers assessed has increased due to the modification of the business classification process for suppliers, which has favoured the agility and completion of this process by suppliers and the company’s promotion of this classification in countries with low-registration percentages. The result of the process shapes a suppliers tree in which they are classified in accordance with the categories for which they are able to supply services or products, and for which they have been rated as suitable with regard to the associated risk. The weight of sustainability issues raised to high-risk level suppliers during the business classification process represents 60.7% of the total and compliance issues represent an additional 23.4%.

In 2020, the RePro Community updated the classification questionnaire that applies to Naturgy Spain's high sustainability risk suppliers, creating a specific sustainability and compliance module and an objective scoring with the contribution of evidence that classifies suppliers in five categories: excellent, high, medium-high, medium-low and low. Suppliers in the last two categories receive customised reports with recommendations for improvement. By 2021, the company plans to deploy this to the rest of the countries where the classification tool is implemented (Argentina, Brazil, Chile, Mexico and Panama).

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

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

Official approval and management of supplier quality

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

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

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

In 2020, 355 audits were performed on suppliers and sub-suppliers, of which 105 were conducted at the supplier's facilities. If anomalies arise in the approval process, this may lead to a plan of corrective actions, or to the non-approval of the supplier, which would prevent such supplier from performing this activity for Naturgy.

44% of the approval audit carried out at the suppliers' premises has resulted in the need to submit a corrective action plan. On the other hand, two suppliers had their official approval either suspended or withdrawn for failing to pass this process as a consequence of breaches related to safety, quality and other issues.

Monitoring, follow-up and development of suppliers

Monitoring of suppliers

■ Criteria considered in monitoring

<p>Corporate image and reputation</p>	<p>Since 2019 Naturgy has been monitoring online the reputation risks of the portfolio of suppliers with whom it maintains commercial relations. A screening tool is used to detect exposure to counterparty reputational risk and to make decisions based on the risk detected in coordination with the Compliance Unit.</p> <p>The monitored supplier base amounts to 7,393 at the end of 2020. In no case has there been evidence of an impact that has placed these suppliers at high or very high risk.</p> <p>In addition, reputational due diligence is performed on suppliers to analyse the alignment with Naturgy's corporate responsibility commitments. Based on the findings, the risk and the actions to be carried out are assessed.</p> <p>In 2020 no supplier was disqualified on the grounds of fraud or unethical practices.</p>
<p>Economic-financial information</p>	<p>The main potential or active suppliers of Naturgy are analysed from the economic-financial point of view in order to prevent contractual breaches by suppliers.</p> <p>In addition, in the assessment process the supplier's economic dependency ratio is measured with respect to Naturgy and is taken into account in the supplier's global scoring that can be used in the supplier's valuation during the contract award strategy.</p>

Monitoring of suppliers

■ Monitoring mechanisms

<p>Environmental specifications</p>	<p>Naturgy has developed specific environmental specifications for suppliers and contractors that are attached to the corresponding contracts, based on the purchase category supplied and which include minimum environmental management requirements for application and monitoring during procurement.</p> <p>44.59% of the purchase volume from critical suppliers has an environmental management system with external certification.</p>
<p>Performance monitoring</p>	<p>This is carried out with the most relevant suppliers and involves carrying out performance assessments to measure the operating units' level of satisfaction with suppliers and detailed aspects concerning quality, health and safety, operations and ESG.</p>

Continues >

Performance monitoring

For those suppliers who perform activities classified as high risk, health and safety performance is measured using objective metrics and the method set out in Naturgy's "Health and Safety Standard: Assessment of performance of collaborating companies in health and safety issues". Thus, corrective actions are carried out on those suppliers whose assessment does not reach the standard set by the company.

In 2020, 1,357 performance assessments were conducted on suppliers from Argentina, Brazil, Chile, Mexico, Spain, Panama and the Dominican Republic, with a total of 492 suppliers being assessed. The results and classification obtained are reported to the affected internal units of the company, also specifying their weak points and where they need to improve. In 2020, action plans have been agreed with 45 suppliers whose score in the performance measurement proved insufficient.

ESG audits

For suppliers classified as having a high level of risk, documentary evidence is required, and for those whose assessments of financial risk, occupational risk prevention, reputation, compliance and corporate social responsibility criteria do not exceed the objective parameters established by the RePro Community, audits are carried out from the point of view of corporate responsibility. In 2020, ESG on-site audits were carried out on 78 of the group's suppliers. In addition, Naturgy carries out ESG audits on the suppliers classified as having a high ESG risk with the highest purchase volume. In 2020, 69.57% of high ESG risk purchase volume was audited.

Note: due to the situation caused by COVID-19, some of the audits that were carried out on site before were performed remotely.

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

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

Development of suppliers

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

The EA thus contributes to the establishment of a common planning and management model, favouring the professionalisation of companies that participate in the Naturgy value chain, with a recurrent activity of more than 7,000 annual participants and 20,000 hours of training.

Likewise, the relationship with strategic suppliers is managed in order to strengthen partnerships, in an environment of collaboration and efficiency, sharing information, aligning strategies, seeking continuous improvement and promoting innovation.



We are helping
to build a fairer
society that leaves
no one behind.

12

Social commitment

Naturgy's contribution to SDG



12. Social commitment



What does this 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 allocating part of its profits to social investment. Fluid and ongoing dialogue with society enables the company to be aware of the expectations and interests of those communities where it operates and thus be able to involve itself in their development.

The involvement and participation with local communities and their needs in the territories where the company operates suggests collaboration and acceptance of the company in the community, avoiding the implementation of pressure actions against the company's operation in those territories and fostering the collaboration of all agents.



What is our commitment?

- Guarantee fluid and two-way dialogue and encourage involvement in local communities, respecting the culture, rules and the environment, so that their concerns are responded to appropriately and expeditiously.
- Assess the social impact that the company's activity could cause, to avoid or mitigate the adverse effects these could generate and to foster positive effects.
- Develop initiatives to create shared value and to have a positive social impact in energy projects.
- Promotion of education, cultural wealth, health, research and the inclusion of the more underprivileged collectives through social investment.
- Transfer knowledge and values to society through partnership agreements with the academic community and the supply chain.
- Promote public-private and third sector collaboration to mitigate the impact of energy poverty on the most vulnerable groups.

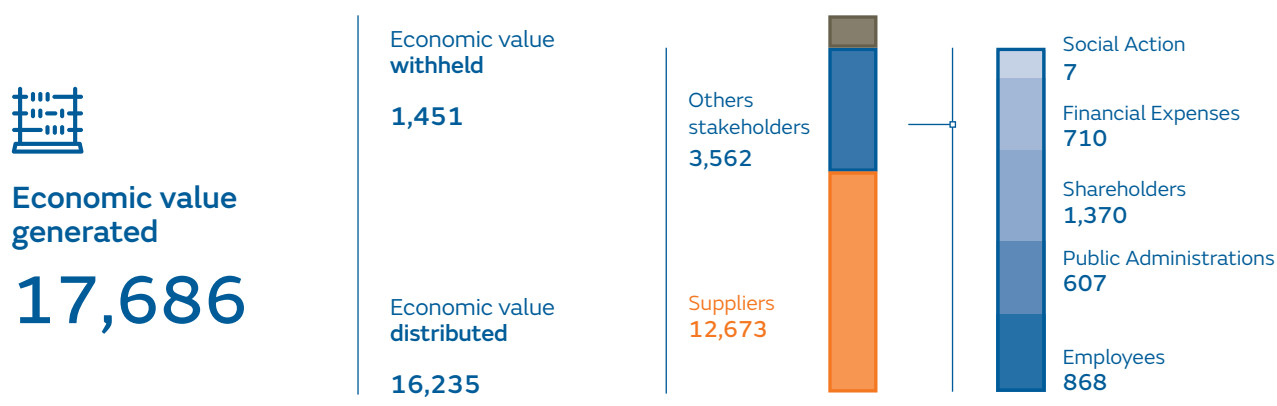


Evolution and results 2020

■ Social commitment

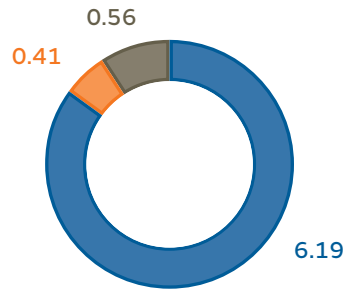
	2020	2019
Sponsorship and social action investment (million euro)	7.16	8.16
Breakdown by type of action (%)		
Social	82	84
Environmental	2	2
Cultural	16	14
Sponsorship and social action activities (No.)	106	134

■ Economic value distributed. Detail by stakeholders (million euro)



The aim of the contributions to social programmes is to increase the company's commitment to society. The programmes to which these resources are therefore allocated form part of the business development strategy of the company. In 2020, they totalled Euros 7.16 million. Naturgy aims to generate a higher corporate commitment to the society of which it forms a part that goes beyond its business activity.

■ Sponsorship and social investment in 2020 (million euro)



– Amount for Donations

Financial contributions to foundations and non-profit organisations for which the company receives no consideration.

– Amount of Partnerships

Financial contributions to foundations and non-profit organisations for which the company receives some consideration.

– Amount for Sponsorships

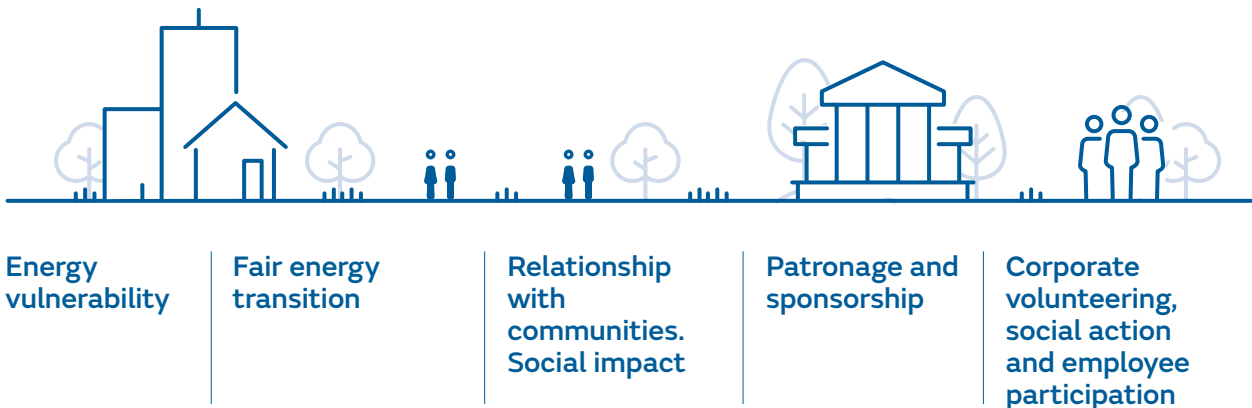
Amount allocated to other types of entities, not necessarily non-profit making and for which the company receives some consideration.

In order to measure the results, Naturgy has tools for assessing the reputation of the social programmes it carries out. As in previous years, in 2020 it continued to use the London Benchmarking Group methodology (LBG), which offers an overall view of social investment and enables a comparison of the results obtained with those of other companies.

1. Creation of wealth and well-being where the company operates

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

Lines of action



Presence in trade associations

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

Since 2019, Naturgy has had an Institutional Relations policy which, among other matters, regulates these collaborative initiatives. At the end of 2020 Naturgy was involved in 146 major partnerships with an investment of more than Euros 4 million per year.

Given Naturgy's involvement and its strict commitment to the fight against climate change and sustainability, in 2020 it was decided to review and analyse the position of the main entities in which the company participates in these areas.

Through our own methodology and based on criteria of relevance, linkage to the energy sector and the geographical scope of the entity, we specifically identified the associations that have a voice and proactive actions in matters of climate change. Based on this identification, an analysis was undertaken of the public positions on these matters and their correspondence with the company's policies.

Out of the total number of entities, 32 ⁽⁶⁾ were identified in the group of entities of relevance in these matters and the analysis was used to rule out the possibility that some of them are not aligned with Naturgy's commitment in the fight against climate change in the multiple forms that it can take.

In establishing a deeper review, it was observed that there are differences in the degree of formalisation of these commitments, which are typical of the nature of each of these associations.

Thus, there is an advanced group (28%) that presents wide degrees of development of these commitments, which explicitly incorporate some of the elements or principles that Naturgy subscribes to in the matter.

The rest of the entities have a different degree of formalisation of their commitments. Although they do not have comprehensive positions, papers or documents, it is possible to identify this support through public positions or by signing up to ongoing international initiatives (compliance with the SDG, Paris Climate Agreement, European Green Deal, among others).

Action against energy fraud

Energy fraud, aside from the economic impact it can cause the company, also implies:

- Reduced tax collection.
- Higher energy costs for end users.
- Unfair competition between companies.
- Risk for public safety from illegal connections.
- Discontinuities in supply due to network overload caused by illegal connections.

⁽⁶⁾ Entities identified: Aelec, Asociación Empresarial Eólica, Asociación Empresarial para el Desarrollo del Vehículo Eléctrico (AEDIVE), Asociación Española de Gas Natural para la Movilidad (GASNAM), Asociación Mexicana de Energía Eólica, Asociación Mexicana de Energía Solar, Cámara de Comercio de España, Asociación Gremial de empresas eléctricas de Chile, Círculo de Economía, Círculo de empresarios, Club Español de la Energía, Confederación Española de Empresarios (CEOE), Eurogas, European Biogas Association (EBA), Foment del Treball, Fundación COTEC para la Innovación, Fundación de la Energía de la Comunidad de Madrid (FENERCOM), FUNSEAM, Global Compact, Global Reporting Initiative, Groupe International des Importateurs du Gas Naturel Liquefié (GILGNL), International Gas Union (IGU), Instituto Brasileiro de Petróleo Gás e Biocombustíveis (IBP), Instituto Argentino del Petróleo y el Gas (IAGP), Observatoire Méditerranéen de L'Energie, Plataforma Tecnológica Española de Redes Eléctricas (FUTURED), Real Instituto Elcano, Sedigas, Sociedad Nuclear Española, The European Gas Research Group (GERG), Unión Española Fotovoltaica (UNEF), World Economic Forum.

Among the energy investigation and anti-fraud actions carried out by Naturgy in collaboration with the law enforcement agencies during 2020 in Spain, the interventions practised by electricity fraud in illegal marijuana plantations (indoor) continue to stand out, and with 111 actions they remain similar to those performed in 2019. Also, in partnership with the security forces, we have participated in 70 anti-fraud actions for illegal connections in occupied homes. All the interventions carried out resulted in the suspension of 1,205 connections.

These actions are examples of Naturgy's commitment to the security of supply, the safety of people and to the care of vulnerable collectives. In this sense, it is relevant to mention the situation in the area called Cañada Real (Madrid, Spain), where the company is working in coordination with the Commissioner of Cañada Real, the Security Forces and Bodies and in collaboration with all social actors and administrations, such as the High Commissioner for Child Poverty of the Government of Spain, to resolve service interruptions caused by network overload due to non-located consumptions registered in the last months of 2020.

In view of this increase in service interruptions, the company has increased the number of repair brigades and the frequency of services for restoring electricity and has never cut off the electricity supply in the area despite the serious economic damage caused by illegal connections and the risks to third parties from handling the line. In the social field, Naturgy has collaboration agreements with Cáritas and the Red Cross, which have specific action and aid programmes in the area and it works, through its Foundation, on specific actions to support these groups.

2. Energy vulnerability

Providing vulnerable customers with access to energy

Naturgy is sensitive to the different issues and situations that can cause difficulty in paying for the supply. For this reason, the company uses a range of mechanisms to ensure the supply is not cut off, thus protecting vulnerable customers. These mechanisms include payment by instalments, applied in specific situations.

The company has always developed a proactive policy against energy poverty, protecting its vulnerable customers in Spain by complying with current legislation and promoting and encouraging collaboration agreements with various public and private bodies.

Naturgy closed the year with 130,000 customers with a discount rate –a reduction on electricity bills regulated by the Government for households considered vulnerable due to their socio-economic conditions, i.e. vulnerable, severely vulnerable and at risk of social exclusion–, it received 95,000 calls from vulnerable customers, handled 64,153 mails and 1,073 telephone calls from Social Services. In addition, 211 calls from the Third Sector were handled.

In 2020, in Spain, Naturgy continued signing agreements to protect vulnerable customers with different administrations to prevent cutting off customers.



Energy Vulnerability Plan in Spain

During 2020, Naturgy, through its Foundation, has continued to implement the Energy Vulnerability Plan throughout Spain. The plan has been consolidated as a priority and the core of the activities developed by the Foundation to alleviate the situation of vulnerability and energy poverty in Spain. The targets are:

- Improving management and customer relations in cases of energy vulnerability.
- Streamlining the exchange of information with town and city councils for better identification of situations of energy vulnerability.
- Implementing activities with entities that work to alleviate energy poverty cases and to detect vulnerabilities. The following activities have been introduced during this year:
 - Awarding of the prize of the I Edition of the Award for the Best Social Initiative in the Energy Field, through which the Foundation has a twin objective; on the one hand, to make visible the initiatives that other entities are carrying out to fight against energy vulnerability, and on the other hand, to provide resources to other social energy projects. 88 entities have participated by submitting their projects. A first prize and a second prize were awarded.
 - Consolidation of the Energy Rehabilitation Solidarity Fund, with the aim of financing energy efficiency improvements in vulnerable households. In 2020, the signing of agreements with 14 entities has enabled the rehabilitation of 721 homes based on donations from individuals and contributions from the Foundation.
 - Continued energy volunteering with informative workshops on energy efficiency and visits to homes of vulnerable families to identify rehabilitations that improve habitability and represent economic savings in the home. During 2020, 1,958 vulnerable families have been assisted.
 - Launch of customised online volunteering on recruitment, billing and energy efficiency with the volunteer's individualised monitoring of the improvements to be made by the beneficiaries, which has allowed the impact to be greater.
 - Continuation of the energy efficiency workshops at the Energy School to support public administrations and the third sector in the fight against energy poverty. Training has been provided to specialists and families in a situation of vulnerability on the optimisation of bills, energy management, discount rate, energy efficiency and other consumption habits. Webinars have been launched by the Energy School for the teaching of these subjects as a result of the pandemic. In 2020, 270 workshops were held for 3,939 attendees.
 - Organisation of the seminar of good practices to alleviate energy poverty in the area of municipalities with social workers. There were 195 attendees.

- The “Measures against energy poverty in Europe” conference, during which the study Energy poverty in Europe. A comparative analysis was presented. This was developed by the Chair of Energy Sustainability (IEB-UB) of the University of Barcelona with collaboration from the Naturgy Foundation.
- Participation in two European projects, Social Watt and EPIU (Energy Poverty Intelligence Unit), financed by the EU, aimed at identifying energy poverty, defining indicators, and developing and implementing measures against energy vulnerability. Likewise, it has actively participated in the advisory council of the Chair of Energy and Poverty at the University of Comillas.

3. Fair energy transition

As part of its Corporate Responsibility Policy, and with the aim of contributing to a fair energy transition, Naturgy is carrying out initiatives that favour the development of the areas affected by the closure of coal-fired power stations. To this end, it promotes dialogue with local administrations, enterprises and businessmen, studies initiatives of a social nature -mainly through the Naturgy Foundation- that help to energise the areas affected by closure of the power station, and includes these areas as a priority in the analysis of the new projects and businesses that the group is carrying out.

Here, it is worth mentioning that several of the projects analysed have been presented within the framework of the Recovery, Transformation and Resilience Plan of the Ministry for Ecological Transition and the Demographic Challenge, both in its line of work of tractor projects for a just and inclusive energy transition, and in the one that aims to address the demographic challenge and the fight against depopulation.

All the actions carried out are in line with Naturgy's commitments to the environment and sustainability, health and safety, interest in people and social commitment, promoting the development of the industrial and service fabric in the affected areas.

The following is a summary of the main actions carried out throughout 2020, grouped around the sustainability axes defined at Naturgy:

Climate change and energy transition:

As part of Naturgy's activities, this line includes actions dedicated to the analysis and development of new renewable energy generation plants. These actions help fulfil the commitments made in the fight against climate change. During 2020 Naturgy has worked on the development of wind farm and photovoltaic solar plant projects in the affected areas.

Also in this line of work, and as part of the Naturgy Group's own activities, the studies of new renewable gas projects, both of biomethane and green hydrogen (generated from renewable sources), stand out. These projects include the generation of biomethane and hydrogen from wind and solar photovoltaic energy, their storage and use in nearby industries and/or for use in mobility, in hydrogen generators for transport vehicles or even for railways. They fulfil the goal of developing new capacities in the affected areas, by including them with a leading role as part of the new energy economies that are going to be developed in the immediate future.

Circular economy and eco-efficiency:

Within the concept of the circular economy in the processes to dismantle plants, actions have been carried out to favour a second use of all equipment, materials and even waste from the plants, both directly by Naturgy and with collaborations or agreements with third parties. Particularly noteworthy are the actions for the recovery and reuse of equipment and components or the studies on second uses of ashes and cinders generated during the years of plant operation, currently being analysed together with the companies concerned.

A further line of work being developed with third parties has been the promotion of new industrial or service uses at plant sites. To this end, numerous contacts have been made with public administrations and business people to promote the installation of new projects, both complementary and totally unrelated to Naturgy's own activity, resulting in interesting proposals that are currently under review.

Biodiversity:

As part of the plant dismantling activities, Naturgy considers all the necessary actions to guarantee an adequate ecological and geomorphological restoration of the plant sites, in accordance with the environmental requirements and with its commitment to biodiversity.

One example of such action is the conversion of the old open-cast mine in Limiesa into the world's first artificial lake with the potential to supply large populations. With an approximate volume of 150 hm³, a surface area of 170 hectares, an investment of Euros 60 million and a duration of eight years from the start of filling, the former mining site is fully integrated and provides a boost to the economic and tourist development of the area. 839 species have been inventoried and 450,000 trees have been planted around the old farm, making it a CO₂ sink.

Governance:

Naturgy guarantees adequate management of all the activities specified here, including contracts with third parties, since they are carried out within the group's management systems, like any other activity of the company.

4. Relationship with communities

Naturgy, under its Human Rights Policy, makes a firm commitment to respect local communities. To achieve this commitment, assessing the social impact that the company's activities may have on communities, specifically contributing to improving the living conditions of these communities is a key aspect.

Naturgy has a method based on the Measuring Impact methodology of the World Business Council for Sustainable Development (WBCSD) and the aim is to define initiatives and programmes for the effective management of social impacts associated with the company's business.

The company bases its relationship with communities on the following principles:

- Identifying communities affected by the company's activity, and finding out their needs and aspirations.
- Analysing the potential environmental and social risks that its activity could cause in the communities, using the social impact assessment methodology designed for this purpose.

- Reporting to, and inviting participation from, the community at the different stages of the project through a consultation procedure that enables us to listen to their concerns and questions as well as benefit from their 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 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 projects underway during 2020 are listed below, and some of them are detailed hereunder:

- Berrybank wind farm I (Australia).
- Crookwell II wind farm (Australia).
- Bif Hioxo wind farm (Mexico).
- Tuxpan III & IV combined-cycle power station (Mexico).
- Norte Durango combined-cycle power station (Mexico).
- Naco Nogales combined-cycle power station (Mexico).
- Hermosillo combined-cycle power station (Mexico).
- Sobral I photovoltaic plant (Brazil).
- Palamara fuel oil power station – La Vega (Dominican Republic).
- Bujagali hydroelectric power station (Uganda).

- Torito hydroelectric power station (Costa Rica).
- La Joya hydroelectric power station (Costa Rica).
- Guimaranã I & II photovoltaic plant (Brazil).

Berrybank wind farm I (Australia)

Naturgy is carrying out a social commitment and profit-sharing plan with the local community near this 180 MW wind farm located in the state of Victoria, associated with the state government contract. The initiatives included are:

- Actions for community benefit, initiatives with the aboriginal community and other local groups.
- Community development funds and voluntary agreements.
- Actions with the participation of the neighbours.
- A person specifically appointed to take charge of the community involvement programme and to set up a community engagement committee.
- Solar energy programme, training and internship programme.
- Contribution to Asian Pacific Renewable Energy Training Centre (Federation University).
- Entrepreneurship programme (Royal Melbourne Institute of Technology).
- Newsletters, press releases and local print ads.
- Weekly information sessions, project presentations and construction updates.
- Project website, audio-visual monitoring of the construction, 3D simulation of the wind farm.



Bií-Hioxo wind farm (Mexico)

The company continues to collaborate permanently with the local community of this 234 MW wind farm in Juchitán de Zaragoza (Oaxaca). Thus, Naturgy develops programmes that respond to the needs of the community and contribute to improving living conditions. The action lines for 2020 have been:

- Support for the Guxe Chahui fishermen's cooperative with a productive programme to breed tilapia fish.
- Construction of community house.
- Restoration of sanctuaries.
- Restoration of common areas in local schools.
- Support for the population through the donation of medical supplies to help address the COVID-19 contingency.

Tuxpan III & IV combined-cycle power station (Mexico)

The plan to support the communities around this 1,007 MW plant, located 30 km south of Tuxpan (Veracruz), continues to be developed. In particular, Naturgy has deployed a major community relations plan with the communities located on "Los Kilómetros" state highway from the kilometre point (p.k. 0,000 to p.k. 16,000). The action lines for 2020 have been:

- Support plan for the restoration of community infrastructures along Los Kilómetros Highway community.
- Project for the conservation of priority species, at the Tortuguero camp in Playa Villamar.
- Projects with stakeholders.
- Delivery of food parcels and medical supplies to the population and local health centres to help address the COVID-19 contingency.

Naco Nogales combined-cycle power station (Mexico)

In 2020, the plan to support the communities around this 300 MW plant, located in the vicinity of the city of Agua Prieta (Sonora), has consisted of:

- Conducting energy efficiency workshops with local people in a situation of energy vulnerability.
- Delivery of food parcels and equipment to schools.
- Carrying out the basic engineering for the construction of a wastewater treatment plant.
- Improvement of fire department facilities.
- Assistance with materials for the restoration of several schools.
- Delivery of food parcels and medical supplies to the population to help address the COVID-19 contingency.

Hermosillo combined-cycle power station (Mexico)

In 2020, the plan to support the communities around this 250 MW plant, located in Hermosillo (Sonora), has consisted of:

- Equipment, infrastructure restoration and reforestation in local schools.
- Restoration of communal roads.
- Delivery of food parcels and medical supplies to the population and to nursing homes to assist during the COVID-19 contingency.

Norte Durango combined-cycle power station (Mexico)

In 2020, the plan to support communities around this 480 MW plant, located near the city of Durango (Durango), has consisted mainly of the following:

- Construction of a cattle guard and replacement of lamps in the community dome in the 27 de noviembre Community.
- Reforestation of the Abraham González community.
- Restoration of municipal infrastructure.
- Delivery of food parcels and medical supplies to the population to help address the COVID-19 contingency.

Sobral I photovoltaic plant (Brazil)

During 2020 the company continued implementing the Quilombola Basic Environmental Project (QBEP), associated to the Sobral I photovoltaic plant (30 MW) in the municipality of São João do Piauí (Piauí, Brazil), in order to create shared value and to have a positive social impact in the territories of Riacho dos Negros and Saco/Curtume. For the development of the QBEP, a close and ongoing relationship has been maintained with the community and local authorities, to identify, design and implement actions to promote economic and social development in the region. The project has various lines of action, which include a series of specific actions of which the following have been implemented during 2020:

- Recovery of infrastructure in the territory for community use.
- Giving the community legal status, and location and legalisation of land for the construction of a centre to be used by the community.
- University and technical study grants.
- Delivery of medical supplies to the population and the local hospital to help address the COVID-19 contingency.

5. Patronage and sponsorship

The company maintains a commitment to collaboration with society that goes beyond its business activity with resources allocated to cultural, social, sustainability and environmental programmes. These economic contributions allow the company to strengthen its commitment to positively integrate itself in each community and country where it carries out its business activity.

Naturgy's sponsorship and donation activity, as well as the definition of the processes that regulate and control its development, is the purpose of the company's General Procedure of Sponsorship and Donations. Similarly, activities related to sponsorships and donations are subject to a process of 100% transparency. The main lines are:

- **Education, training and development:** education and university activity form part of the company's areas of action. Among the actions that Naturgy carries out with this objective in mind is the collaboration with entities that promote and train young people.
- **Environment and sustainability:** Naturgy collaborates with different institutions that aim to preserve the environment, conserve and rehabilitate habitats, as well as generate debates on trends and opportunities in the energy and sustainable development sector. Furthermore, it also collaborates with entities that carry out educational activities on sustainability, energy and the environment.

Examples of this include the collaboration with the "Life Oso Courel" project, the aim of which is to favour the expansion of the brown bear to new territories in the Serra do Courel (Galicia), the contribution to the rehabilitation of the green area of Durango, or support to the Group for the Rehabilitation of the Native Fauna and its Habitat (GREFA) whose pillar is environmental research and education.

- **Artistic and musical culture:** the company maintains its efforts in the field of cultural sponsorship, with the encouragement and promotion of music, art and training, which goes beyond its business activity and which takes the form of extensive sponsorship of initiatives that generate great value for society. In 2020, we have continued to collaborate with the Gran Teatre del Liceu in the celebration of the 20th anniversary of the reopening of the Gran Teatre del Liceu in Barcelona and the bicentenary of the creation of the "Societat d'Accionistes", so that the entity continues to be an artistic benchmark, to promote its social project and to adapt to new times through innovation. Support for the Teatro Real has also been maintained with the "Plan for the promotion of street opera at the Teatro Real", to contribute to the enhancement of its work and its dissemination to all audiences at regional, national and international level. In addition, Naturgy has joined the collaboration of the celebration of the Xacobeo Holy Year 2021, which has also been declared an "event of exceptional public interest", as in the two previous collaborations, and which aims to revitalise culture and heritage.
- **People:** the company focuses on promoting and supporting projects aimed at vulnerable social groups and alleviating problems arising from COVID-19. To this end, it collaborates economically with entities that support the people most affected during the pandemic. It also helps by donating medical supplies and food or by offering spaces and facilities in different areas where it performs its activities.

6. Corporate volunteering, social action and employee participation

Naturgy structures the Corporate Volunteer Programme in three areas: energy, social and environmental. Over the course of 2020, 418 employees from Spain, Mexico, Panama and Morocco spent more than 6,727 hours on corporate volunteering with their companions. Globally, 30 initiatives of a one-off, temporary or continuous nature, 14 social volunteering actions, 8 environmental volunteering actions and 8 energy volunteering actions, with the participation of 786 volunteers, were carried out. The number of beneficiaries dealt with amounted to 14,451 in 2020.

Due to the pandemic, the environmental volunteer programmes have been transferred to online format by carrying out four workshops that have completed the face-to-face activity of three field actions at the beginning of the year.

Different initiatives were launched during December on the occasion of the International Volunteer Day, some of them enhancing previous activities and others newly created: energy workshops for vulnerable families, energy advice for customers, solidarity km, energy efficiency workshops for children with intellectual disabilities, reducing the digital divide, master classes for young people on wind turbines or the “Wise Man for a Day” activity.

Social action in Latin America

For Naturgy it is essential that its social action activities are focused on the geographical areas in which it is present and that they are developed in line with its activity. The main actions carried out in the different locations are:

Argentina

- Efficient use of resources: due to the lockdown arising from the COVID-19 pandemic, all energy efficiency training activity was moved to a digital format. Accordingly, the contents of the face-to-face activities were adapted, and the cuidemosnuestrosrecursos.com portal was created, where both students and teachers could be trained in energy efficiency and learn about the proper use of gas, electricity, water and paper. The portal was launched in July 2020, and has since been visited by 8,000 users.
- Energy of Flavour: this programme aims to find jobs for young people with few resources by training them to be chefs. The training, mostly virtual, and the contribution of material, focused on training 60 volunteers from the “Unidos por la Sociedad” soup kitchen as kitchen assistants. The volunteers cooked 200 daily rations of food to be distributed among the most deprived residents of the La Cava neighbourhood. In total, 26,000 healthy food portions were produced. The other activities of the Energy of Flavour programme were conducted online, through videos submitted through WhatsApp and live from Instagram.

Chile

- Help for electro-dependent customers: electro-dependent people require a constant power supply at appropriate voltage levels to power the medical equipment they need to live. Naturgy in Chile has loaned 2,400 home generation units as of December 2020.
- From a gas standpoint, the company has focused its actions on strengthening community relations, environmental education for young people, training programmes for certification as gas installers and the development of regions, specifically in the Lake Region (La Región de los Lagos), with the commitment to bring energy to sectors with high rates of pollution.

Mexico

- The company has collaborated with various entities in the area of social action to generate a link with local communities. This year it donated 63 computers to Montefalco School for students who studied from home. It also donated 78 food kits to the civil association Abriendo Nuevos Caminos and it has collaborated with the local authorities of Tlatelolco to generate a link with Naturgy.

Panama

- Food donation: to those affected by the effects of Hurricane ETA in the province of Chiriquí, reaching 20,000 Dollars in food and cleaning supplies. Food was also donated to residents of Huile, reaching over 800 people.
- Participation in three forums related to the energy sector, continuing its commitment to education.

Solidarity Day

The initiative was created in 1997 and is managed by the employees. It involves participants voluntarily donating a one-day fraction of their annual salary to projects targeted at promoting education and teaching children and young persons in those countries in which Naturgy operates.

For the Solidarity Day event, the company donates an amount equal to the amount donated by employees and assumes all management costs, so that 100% of the amount raised can be used for the annual selected project. Close to 1,150 employees around the world took part in the initiative. In 2020 these employees donated approximately Euros 200,000 of their salaries and the company made an additional matching contribution, as well as assuming the costs of managing the association. Since its inception, Solidarity Day has raised Euros 3 million in employee donations and an equal amount contributed by the company.

In 2020, Solidarity Day financed the education of approximately 450 school, technical and university students as part of the ordinary projects being implemented in Argentina, Brazil, Colombia, Morocco, Mexico, Moldova, Nicaragua, Panama, Chile and Portugal.

In 2020, Solidarity Day engaged in two special campaigns to address the pandemic, with special aid to the Educo Foundation and the Trilema Foundation for children in vulnerable situations to cover basic needs, pay grants for canteens, studies and school materials. Due to the pandemic, the association also launched a recurring initiative to donate employee computers that are gradually being replacing, but which are in perfect condition for use. To date, nearly 200 computers have been donated to various organisations.

7. Naturgy Foundation

The Naturgy Foundation, which is present in the countries where the company operates, is tasked with disseminating information, training, and raising society's awareness on issues of energy and the environment, as well as developing business and academic programmes. It also develops social action programmes in the national and international arenas, with a particular focus on actions targeted at relieving energy vulnerability.

In 2020, the Foundation has continued all the initiatives carried out in the previous year in the area of communication, dissemination and debate on current issues related to energy, technology and the environment. In 2020, two high-level Energy Perspectives conferences were held, a joint initiative of the Naturgy Foundation and IESE Business School, with the aim of promoting debate on the energy sector, its current situation and its near future with internationally renowned speakers, which has instilled confidence in and attracted the interest of specialist audiences.

This year, due to the health situation and the exceptional measures taken as a result of the pandemic, the Foundation has promoted and accelerated the incorporation of a new mode of online communication, which has become the main format with which the Foundation has continued to share with society the books, studies and reports published and edited by it and prepared by worldwide experts in the field.

This new online communication has been organised through two main activities: 5 webinars (online seminars to present and discuss the publications) and 7 online presentations (mailing of the publications), both accompanied by summary videos that have facilitated a simple approach to publications with the main conclusions explained by the authors.

This new way of communicating has allowed the publications to reach a much wider audience than in previous years, both nationally and internationally. And so the numbers show, with more than 2,500 webinar attendees, more than 14,000 views of the video summaries and more than 3,800 downloads of our publications.

In the line of education and heritage, the Naturgy Foundation has launched several programmes, including:



Efigy Education

The Foundation aims to convey to young people the values of efficiency and responsible energy consumption, new energy technologies, air quality, efficient mobility, knowledge about the history of energy and its future projection, as well as the promotion of STEM vocations.

In 2020, due to the global pandemic caused by COVID-19, the second edition of the Efigy Technology Competition was held online, with the support of the Spanish Foundation for Science and Technology (FECYT), the Spanish National Research Council (CSIC) and the STEMadrid Plan of the Ministry of Education and Research of the Community of Madrid, and almost 400 students were called to participate in this new edition of the competition.

The Foundation participated in the GIRLS FIRST initiative of Scientia Foundation, organiser of FIRST LEGO League in Spain. This international programme promotes the participation of female talent and fosters science and technology among the youngest in order to promote the creation of early vocations in these fields of knowledge.

In partnership with the Council of Foundations of the Spanish Foundation for Science and Technology (FECYT), the Foundation took part in the awards ceremony of the third edition of the Meet a Scientist competition held at the Pfizer-University of Granada-Junta de Andalucía Centre for Genomics and Oncological Research (GENYO) in Granada. The initiative, aimed at 5th and 6th grade primary school students, aims to provide new generations with access to education in the field of science and technology.

Efigy Education Digital

The COVID-19 health emergency accelerated the digitalisation of content that was being worked on. In this way, the Naturgy Foundation has made the teaching resources of Efigy Education available in digital format, through its website. This site brings together all the educational resources with which it supports Primary, Secondary, Baccalaureate and Vocational Training teachers throughout Spain during the school year.

Through Efigy Education Digital, you can access material developed by experts, on topics such as, inter alia, the energy transition, the circular economy, sustainability, efficient building, energy efficiency, air quality and new energy technologies. The offer includes interactive content to learn about energy and discover STEM talents in an engaging way.

All the Efigy Education digital learning resources allow teachers and professors to continue using them on a permanent basis, in order to provide their students with educational and, at the same time, enjoyable tasks, with a personalised service from the Naturgy Foundation at all times.

Efigy Education content has had 133,093 users in all its formats (digital + face-to-face), while educational videos have had 43,465 views.

Touring projects

Initiatives which aim to pass on and disseminate knowledge on issues related to energy and the environment through actions and presence at trade fairs in the sector, mobile educational resources and travelling exhibitions.

Energy Challenge, the challenge of energy transition

This immersive travelling experience presents the opportunity to experience innovative, technical concepts that are essential to understanding the energy transition and exploring ways to achieve the challenges agreed in the United Nations Sustainable Development Goals (SDG) in the field of energy. In 2020, it continued to travel thousands of kilometres around Spain in an eco-efficient vehicle.

This initiative proposes a journey in a futuristic aircraft managed by state-of-the-art robots. Visitors are invited to be part of a special mission to solve the energy challenge, an essential factor for the development of society. Crew members observe the Earth and the Cosmos to reflect on and become aware of the planet's emergency situation and the need to contribute to issues of major importance for humanity, such as the energy transition, the circular economy, air quality, new energy technologies and renewable gas.

School groups also supplement the space flight with the game The Circular Challenge, on the circular economy and energy consumption. 8,620 users from all over Spain have taken part in this initiative of the Foundation.

Visits to the hydraulic plant and the Bolarque Museum

The Bolarque Museum offers specific activities for educational centres, and is also open to the general public. Its informative content uses the different energies to display responsible consumption and the use of natural resources, and even the historical changes and the social progress caused by the arrival of electricity and gas, industrial heritage and technological innovation in the energy field. In 2020, it had 1,690 users.

Vocational training for employability

The Foundation combines its responsibility to the new generations, contributing to the development of future professions linked to the energy transition and sustainability, and improving the employability of students with vocational training qualifications and professionals who need to update their knowledge, by developing a programme for vocational training in the areas of sustainable building and renovation, renewable gas, vehicular natural gas and energy vulnerability to help improve the employability of professionals in the energy sector.

Throughout the year different training courses were carried out aimed at teachers specialised in professional training and training courses aimed at professionals from the sector who needed to update their knowledge to improve their access to the job market. There were several calls for the 5 courses currently being carried out and which were attended by more than 250 people. Additionally, teaching materials and equipment have been provided to implement the content developed in the classrooms, which will have an annual impact on more than 5,100 students from different Autonomous Communities.

This activity is carried out in partnership with the Autonomous Regions' education ministries, the Secretaryship of Vocational Training of the Ministry of Education and the Public Employment Service State.

At international level, various initiatives have been developed in the social field, chief among which are:

- Argentina: the "Let's take care of our resources" portal was launched in 2020 with educational initiatives in the field of energy resources for teachers and students with specific content on responsible and efficient energy use and with training programmes and games for students at different levels.
- Morocco: continuation of the Energy Rehabilitation Programme, in collaboration with Metragaz and the Moroccan Ministry of Health, for the development of rehabilitation actions in a health centre in the municipality of Ain Beni Mathar in the province of Jerada.



We promote integrity
and transparency
in each of our actions.

13

Integrity and transparency

Naturgy's contribution to the SDG



13. Integrity and transparency



What does this mean for Naturgy? Risks and management approach

Naturgy believes that operating on the basis of integrity and transparency directly contributes to achieving business targets and sustainable business management.

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 Supplier Code of Ethics, the Compliance Policy, the Crime Prevention Model, the Anti-Corruption Policy, fiscal policies and the Human Rights Policy of the company.

Corruption, fraud and bribery can have a major impact for the company, leading to sanctions imposed by the administrations, loss of contracts, 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.

The company would improve the way stakeholders perceive the markets in which the company operates, based on the ethical principles of Naturgy. It is also committed to achieving improved conduct and practices in new international settings with growth opportunities for the company, so as to boost development and social progress.

In addition, the company has a Counterparty Due Diligence Procedure that is applied systematically, to ensure that the analyses and assessments of reputational risk and corruption are carried out in an efficient and uniform way whenever third parties intervene in the business relationships of the companies that make up Naturgy.



What is our commitment?

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



Evolution and results 2020

■ Integrity and transparency

	2020	2019
Communications received by the Ethics and Compliance Committee	141	194
No. of complaints received per 200 employees	1.5	3.32
Average time for resolving complaints (days)	42	48
Audit projects analysed on the basis of the risk of fraud	110	95
Complaints received in the area of human rights	0	0
Number of persons trained on the Human Rights Policy	6,827	7,918

■ Code of Ethics notifications

	2020	2019
Queries	61	45
Complaints	80	149
Total	141	194
No. of complaints received per 200 employees	1.5	3.32

■ Code of Ethics chapter to which notifications refer

	2020		
	Queries	Complaints	Total
Respect for the individual	7	17	24
Corruption and bribery	1	26	27
Loyalty to the company and conflict of interest	22	9	31
Occupational health and safety	0	8	8
Environment and asset protection	2	2	4
Other	29	18	47
Total	61	80	141

■ Code of Ethics chapter to which notifications refer

	2019		Total
	Queries	Complaints	
Respect for the individual	7	46	53
Corruption and bribery	3	50	53
Loyalty to the company and conflict of interest	34	16	50
Occupational health and safety	-	10	10
Environment and asset protection	1	12	13
Other	-	15	15
Total	45	149	194

1. Integrity is key to the company's success

Naturgy believes that operating on the basis of integrity and transparency directly contributes to achieving business targets and sustainable business management.

Integrity and transparency are the fundamental pillars of the declaration of the company's mission, vision and values, its strategic plans and the Corporate Responsibility Policy, ethics and honesty. They are also commitments assumed by the company's highest body of government.

The company needs to pay special attention to the lack of confidence which has affected the energy sector, in order to improve the way stakeholders perceive the markets in which the company operates, based on the ethical principles of Naturgy. It is also committed to achieving improved conduct and practices in new international settings with growth opportunities for the company, so as to boost development and social progress.

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

These elements seek to ensure that the company's activities and those of its employees, suppliers and business partners comply with applicable standards and laws in every country in which it operates. They also seek to ensure that all the units and organisations behave impeccably in accordance with ethical values and formal commitments to conduct, and to preventing and detecting any breach in the appropriate time and manner.

Prominent among these mechanisms are the Code of Ethics, the Supplier Code of Ethics, the Crime Prevention Model, the Anti-Corruption Policy, the tax policies and the Human Rights Policy of the company. The responsibilities in managing the compliance system are set out in the Compliance Policy.

These policies give rise to indicators for the management, control and supervision of the company's ethical behaviour, which makes it possible to measure the effectiveness of the programmes that are in place and develop new improvement plans adapted to the specific needs of the business.

Naturgy's Compliance Policy establishes the roles and responsibilities regarding the compliance management system. The Compliance Unit is responsible for supporting the Ethics and Compliance Committee by constantly ensuring compliance with external regulations and the policies and procedures implemented in the group to mitigate the main legal, corruption and fraud risks. In this regard, the Compliance Unit is responsible for management of the Crime Prevention Model and, in collaboration with the Legal Services, assesses the legal risks in the models that are developed, especially the criminal and regulatory prevention ones.

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

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

2. 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 the company, in their daily work, with regard to relationships and interactions with all its stakeholders.

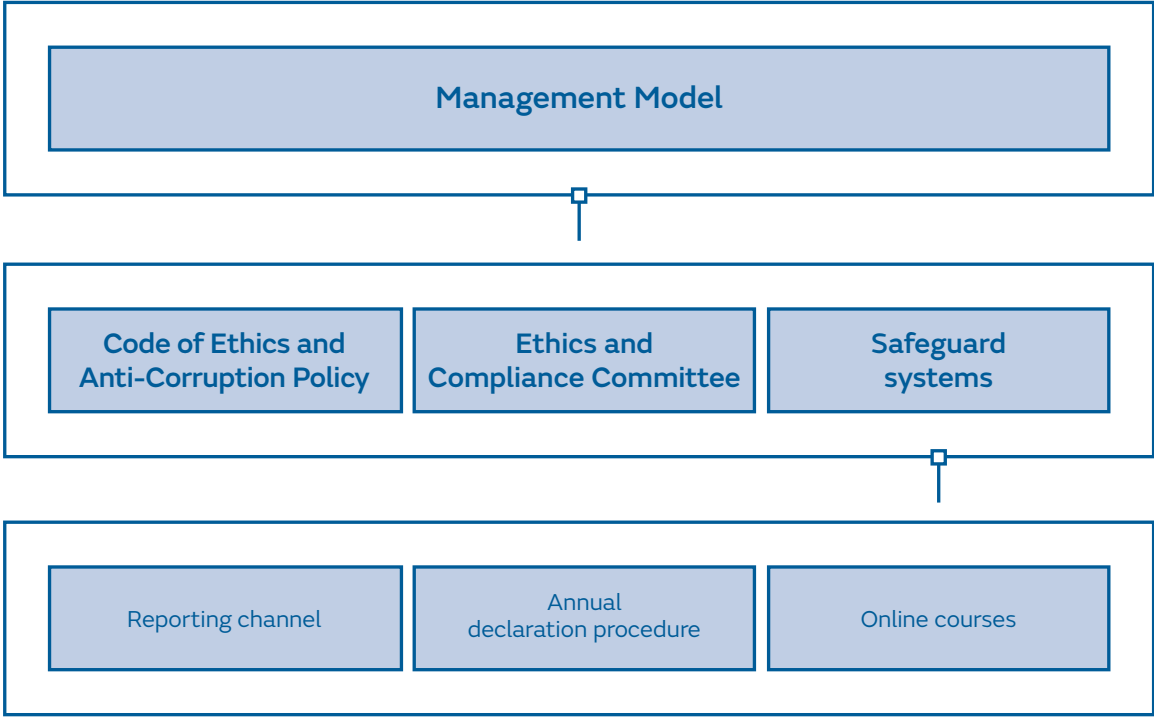
Since 2005, when it was adopted, the code has been regularly renewed to adapt it to the new situations that affect the company. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance. Naturgy also has an Anti-Corruption Policy, as an extension of chapter 4.7. on "Corruption and Bribery" of the Code of Ethics, in compliance with national and international legislation in this matter.

Our Code of Ethics expressly prohibits any contribution to political parties and/or representatives in its section 4.9 Corporate Image and Reputation: "Naturgy does not finance political parties or their representatives or candidates in those countries where it carries out its activities".

This management model provides that the Audit Committee, delegated from the Board of Directors, must receive regular reports from the Ethics and Compliance Committee on the most relevant issues related to the dissemination of and compliance with the Code of Ethics and the Anti-Corruption Policy.

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

■ Components of the Management Model



Ethics and Compliance Committee

During 2020, the Ethics and Compliance Committee continued its work to disseminate the Code of Ethics, as well as its role as interpreter and advisor in the event of any doubt or conflict concerning the same. The Regulations of the Ethics and Compliance Committee, which set out its organisation, functions and obligations within the framework of best practices in the area of compliance, have also been amended to bring them into line with Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of individuals who report breaches of EU law. In 2020, the Committee held seven work meetings.

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

Following the entry into force of the new Organic Law on Data Protection and Guarantee of Digital Rights, and in accordance with the provisions thereof, the Naturgy complaints channel allows for anonymous consultations and whistleblowing. In 2020:

- 21% (31% in 2019) of the notifications were related to the principle of respect for people, and they were all solved appropriately.
- No notifications were reported related to labour or child exploitation or in relation to the rights of local communities and human rights.

During 2020, Naturgy managed various disciplinary situations from complaints made to the Ethics and Compliance Committee, or from situations covered in the Code of Ethics or the Anti-Corruption Policy. In total, two very serious offences have been dealt with, which resulted in dismissals. In 2019, five misdemeanours, two serious offences and four very serious offences, of which three resulted in layoffs were handled.

In 2020, it was not necessary to repair damages relating to impacts caused by human rights cases. Nor in 2019.

Crime Prevention Model and Policies

The company has an international Crime Prevention Model which is updated annually. Thus, in 2020, the model has continued to be adapted to the new organisational structure operated within Naturgy.

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

Each year, this model is assessed by an independent third party. In 2020, this assessment process was completed in December and the report issued on the design and effectiveness of the model was satisfactory.

Furthermore, in 2020, the model has been subject to the certification renewal process in accordance with the AENOR UNE 19601 standards (criminal compliance management systems) and ISO 37001 (anti-bribery management systems), obtaining both renewals in October 2020. Worldwide, Naturgy also deploys crime prevention models gradually in countries with laws governing the civil liability of legal persons.

Prevention of money laundering

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

The Naturgy Crime Prevention Model is based on an analysis of criminal risks, including the one related to money laundering, introducing the necessary controls to prevent the perpetration of said crime.

Measures adopted to prevent money laundering

– Prevention

Code of Ethics. | Anti-Corruption Policy. | Counterparty Due Diligence Procedure. | General standard for hiring external advisors. | Procedure for granting signature levels. | Internal Control Procedure for processing payments and cash movements PE.00004.GN-EF.

– Detection

Review and auditing of the Crime Prevention Model by an independent third party. | Reviews of the Internal Audit Area. | Internal control system on financial reporting. | Reporting channel.

– Reaction and response

Code of Ethics Channel operating regulations. | Disciplinary regime. | Collaboration with competent authorities in each country when faced with suspicious situations.

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

- 1. Prevention:** both the Naturgy Code of Ethics and its Anti-Corruption Policy have specific sections that expressly establish the prevention of money laundering as one of the principles that govern the operations of the company and of all its employees. All Naturgy employees receive training on the content of the Code of Ethics, the Anti-Corruption Policy and the conduct guidelines that they must heed.

In addition, Naturgy has other more specific policies and procedures that establish a full series of controls in its daily operations and in the operations it performs, which encompass the prevention of money laundering. Key among these are the Counterparty Due Diligence Procedure; the Global Outsourcing Policy; the Procedure on granting the Signing Level, and the Internal Control Procedure for the processing of payments and cash movements, among others.

- 2. Detection:** some of the foregoing policies and procedures also allow the risk of money laundering to be detected.

Every year, those in charge of controls at Naturgy are subject to a self-assessment in the Crime Prevention Model on compliance with the same, including those where there is a risk of potential money laundering. In addition, to ensure efficiency of this model, it is reviewed regularly and audited every year by an independent expert.

The Internal Auditing Unit periodically reviews the different processes of Naturgy to detect possible breaches that may have occurred in the different operational risks. These reviews include checks of revenue and payments that may be subject to the risk of money laundering.

Naturgy also has an Internal Control System on Financial Reporting that is audited every year by an independent expert.

- 3. Reaction and response:** during 2020, the Ethics and Compliance Committee amended the Code of Ethics Channel Operating Regulations to bring them into line with Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of individuals who report breaches of EU law.

Finally, 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.

Anti-fraud and anti-corruption plans and policies

The fight against fraud and corruption is a fundamental pillar of the Naturgy Crime Prevention Model, together with the internal regulations and specific procedures in this area. In this regard, Naturgy's Code of Ethics is complemented by the Anti-Corruption Policy and the Compliance Policy.

The Anti-Corruption Policy establishes the principles which must be used to guide the conduct of all employees and directors of the companies of Naturgy with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

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

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

Key areas considered in the Naturgy Anti-Corruption Programme approach:

- Establishment of an anti-fraud and anti-corruption culture through training and awareness.
- Implementation of proactive measures to assess the risk of fraud and corruption, monitoring and controls.
- Development of measures and response plans in the event of situations that constitute fraud and corruption.

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 directors, 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 directors.
- 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. In 2020, a specific training programme for senior managers was carried out, which included, among other points, the Crime Prevention Model, the Code of Ethics and the Anti-Corruption Policy, and the Counterparty Due Diligence Procedure.

To strengthen its commitment to compliance, since January 2019 Naturgy has had a Compliance Policy that aims to: promote a culture of compliance and zero tolerance to regulatory non-compliance; as well as to ensure, through prevention, detection, supervision, training and response activities, the organisation's compliance in all its activities and operations with all applicable regulations, both external regulations and the internal regulatory system, thus avoiding possible fines, economic losses and reputational damage.

Likewise, Naturgy has implemented a Corporate Hospitality Policy, within the framework of the Code of Ethics and the Anti-Corruption Policy, whose purpose is to regulate the conditions in which Naturgy directors and employees can accept or offer courtesies to business counterparts within the framework of the performance of their professional functions. This is to ensure effective compliance with the principles set out in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy of Naturgy and thus avoid improperly influencing their commercial, professional or administrative relationships, both with public and private entities. In 2020, a knowledge pill on conflicts of interest was launched in November, aimed at all employees, and in December, as in previous years, a reminder was given on the occasion of the Christmas campaign of the Company's Corporate Hospitality Policy for all employees.

In addition, in all risk operations the company has a Counterparty Due Diligence Procedure that is applied systematically, to ensure that the analyses and assessments of reputational risk and corruption are carried out in an efficient and uniform way when third parties intervene in the business relationships of the companies that make up Naturgy.

In 2020, specific training on conflict of interest and harassment was given to all company employees, as well as occasional face-to-face training for senior managers. These included, inter alia, the Crime Prevention Model, the Code of Ethics and the Anti-Corruption Policy, and the Counterparty Due Diligence Procedure.

3. Taxation

Tax policy

Tax Strategy and Tax Risks Control and Management Policy

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

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

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

- Clearly defined tax governance.
- Procedures for controlling the tax risk referred by 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".
- The Naturgy's Code of Ethics establishes that "all employees of the group must comply with the laws in force in the countries where they conduct their activities, thereby heeding the spirit and objectives of the laws and behaving ethically in all their actions".
- The Code of Best Tax Practices (CBTP), approved on 20 July 2010 by the Plenary session of the Large Companies Forum, a body established by the Spanish National Tax Agency with Spain's largest companies, including Naturgy Energy Group, S.A. The CBTP contains recommendations by the tax authorities, which Naturgy has adopted voluntarily, that are aimed at improving the application of the tax system by enhancing legal certainty, reducing litigation, fostering mutual co-operation based on good faith and legitimate trust, and the application of responsible tax policies.

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

Naturgy also has a Risk Map that specifically identifies the tax risks and issues regarding the interpretation or

application of tax law. The main matters with a tax impact are detailed in Note 21 “Tax situation” in the notes to the Consolidated Annual Accounts.

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 2020 year-end, the Naturgy Group did not have any company in a territory designated as a tax haven under the related Spanish regulations (Royal Decree 1080/1991, of 5 July, and Royal Decree 116/2003, of 31 January). Nor did it have any companies at the end of 2019.

Tax contribution

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

Naturgy’s tax contribution in 2020 amounted to Euros 2,302 million (Euros 2,955 million in 2019). The following table shows the taxes actually paid by Naturgy in each country, distinguishing between those that involve an actual expense for the group (“own taxes”), and those that it withholds or that it passes on to the final taxpayer (“third-party taxes”):

	Own taxes						Third-party taxes									
	Income tax ⁽¹⁾		Other ⁽²⁾		Total		VAT	Hydrocarbons tax and Electricity tax		Other ⁽³⁾		Total		Total		
	2020	2019	2020	2019	2020	2019		2020	2019	2020	2019	2020	2019	2020	2019	2020
Spain	65	230	310	432	375	662	843	997	223	362	205	253	1,271	1,612	1,646	2,274
Argentina	11	22	12	26	23	48	7	8	0	0	13	21	20	29	43	77
Brazil	38	57	35	46	73	103	56	70	0	0	8	11	64	81	137	183
Chile	2	9	23	10	25	19	102	93	0	0	14	10	116	103	141	122
Mexico	73	36	1	1	74	36	72	63	0	0	5	12	77	75	151	111
Panama	6	13	6	7	12	20	2	0	0	0	0	3	2	3	14	23
Rest of LatAm	9	15	3	0	12	15	5	0	0	0	0	1	5	1	17	16
Total LatAm	139	152	80	89	219	241	244	234	0	0	40	58	284	293	503	533
Rest	10	11	3	7	13	18	85	80	75	46	2	3	162	130	175	148
Total	214	393	393	528	607	921	1,172	1,312	298	408	247	314	1,717	2,034	2,324	2,955

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

⁽²⁾ Includes energy taxes which in Spain totalled Euros 144 million in 2020 (Euros 169 million in 2019), local taxes, social security payable by the company and other specific taxes of each country.

⁽³⁾ Basically includes withholdings on employees and Social Security for the employee’s contribution.

4. Global Human Rights Policy

The company's commitment to respect for and protection of human rights is expressed in both the Corporate Responsibility Policy and the Code the Ethics. Since 2011, Naturgy also has a Human Rights Policy, which was last updated and approved by the Board of Directors in 2019. This policy formalises and precisely establishes how the company believes it has to include this issue in its business management.

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

In order to monitor these risks, the company carries out periodic assessment of the 33 identified risks. The last one was carried out in 2019. In order to make this assessment, those responsible for each business or country are asked to evaluate each of the risks identified, depending on the level of perceived risk and the degree of management of each issue by the company.

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 (see table of contents according to UNGPRF at the end of this section). It is also focused on the most important principles that have the greatest impact on the company's business.

Naturgy has a Human Rights Policy which was last updated and approved by the Board of Directors in 2019. This policy formalises and precisely establishes how the company believes it has to include this issue in its business management.



■ Human Rights Policy Principles and risks identified

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

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Commitment 6. Commitment towards people linked to suppliers, contractors and collaborating companies

Risk 17. Suppliers, contractors and collaborating companies.	The company works with suppliers, contractors and partner companies whose practices do not respect human rights.
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Commitment 7. Respecting for indigenous communities and traditional ways of life

Risk 18. Rights of indigenous communities.	The company violates the human rights and fundamental freedoms of the indigenous communities in the areas where it operates.
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Risk 19. Indigenous territories.	Failure by the company to recognise the right of indigenous communities to maintain their customs and social practices, as well as ownership of those territories that have been given to them legally, according to the provisions of ILO Convention 169.
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Risk 20. Land procurement.	During the procurement of land and other transactions or trade agreements with communities, the company fails to adequately inform them in advance or compensate them according to local law and practice and, in any case, in an objectively fair manner.
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Risk 21. Assessing impacts.	Failure by the company to have the necessary mechanisms to assess the potential impact and risk to the rights of communities in its projects.
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Risk 22. Environmental impact.	The activities of the group generate an unjustified negative impact on the environment.
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Commitment 8. Protecting facilities and people on the basis of respect for human rights

Risk 23. Background on security staff.	The staff who protect the security of the facilities and operations of the group have been involved in the abuse of human rights.
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Risk 24. Bad practices of security staff.	The staff who protect the security of the facilities and operations of the group are involved in injustices and in the inhumane or degrading treatment of people.
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Risk 25. Disproportionate use of force.	The staff who protect the security of the facilities and operations make disproportionate or unjustified use of force.
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Risk 26. Misuse of company assets.	The resources and assets of the company are used to violate human rights as a consequence of security staff practices.
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Risk 27. Involvement in abuse.	The company is involved in the abuse of human rights committed by governmental security forces.
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Commitment 9. Support and promote respect for human rights in the wider community

Risk 28. Public commitment.	That the commitment made by the company to human rights issues is not known publicly.
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Risk 29. Freedom of opinion and expression.	The company does not respect or promote the right to freedom of thought, conscience and religion and the freedom of opinion and expression within its field of activity.
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Risk 30. Social rights of the community.	Failure by the company to undertake actions or foster plans and/or activities in benefit of social rights, as a part of human rights, in the community where it operates.
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Risk 31. Investment analysis.	Failure by the company to have the necessary mechanisms to assess the potential impact on and risk to human rights of investment projects.
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Risk 32. Partner analysis.	The due diligence processes prior to the execution of collaboration agreements with third parties do not analyse the human rights policies and practices of partners.
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Commitment 10. Helping to fight corruption and protect privacy

Risk 33. Corruption.	The activities of the company provide incentives for or foster public-private corruption.
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Therefore, the Human Rights Policy is the company's response to growing demands in this field and is particularly applicable in locations in which local legislation does not provide a sufficient level of protection for human rights. In these cases, Naturgy undertakes to guarantee a level of protection equivalent to the other areas in which it carries on its business.

Policy compliance is horizontally integrated in the company and is the responsibility of each one of the business areas. The company encourages the policy to be known and to be complied with using a communication and training plan, which includes a compulsory online course for all employees, seminars based on explaining principles of the policy and conflicts which could arise, and guidance sessions about the policy and its role in business activity. By the end of 2020, 6,827 people have taken the online human rights course.

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

During the initial stages of investment projects, and in the analyses of the social and environmental impact, the company considers their impact on the protection and promotion of human rights and defines indicators in this regard. Similarly, the company will introduce specific measures for management of potential impacts and risks to human rights from the projects and investments, and will ensure that sufficient resources are targeted at the implementation of the corrective measures identified.

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

In addition, as part of the standard supplier evaluation process, the company includes among the aspects to be assessed, the issues related to human rights practices that are exclusive in the event of an unsatisfactory response from the supplier. Furthermore, by accepting the supplier's code of ethics, they undertake to observe and ensure compliance with human rights at all times, in particular those related to the elimination of all forms or modalities of forced or compulsory labour; child labour; respect for indigenous communities and traditional ways of life; and respect for individuals in general.

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

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

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

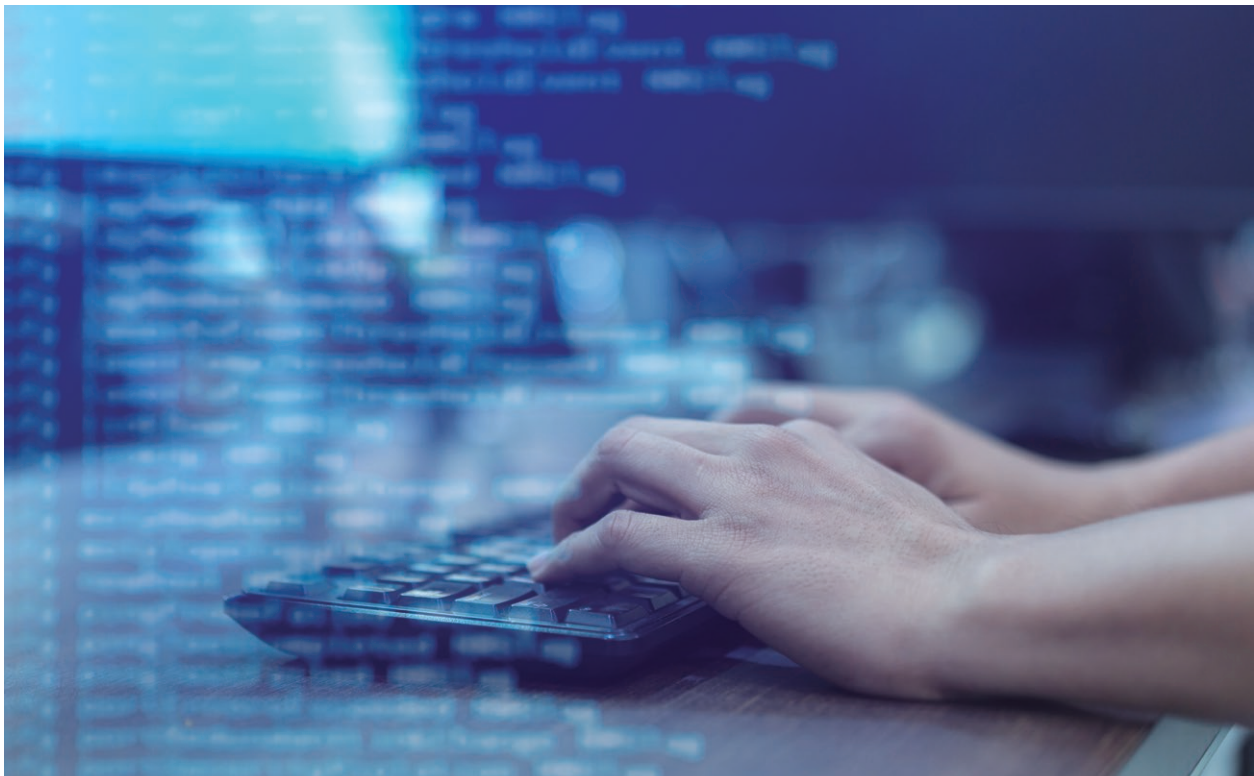
Employees of Naturgy are obliged to report any breach of the undertakings set out in this policy to the company, confidentially and without fear of reprisals. In this regard, those people who, without being company employees, witness potential malpractice in this area may also report this.

5. Privacy and security of data

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

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

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



Cybersecurity Plan

Naturgy has a Cybersecurity Plan at international level, which is based on three key pillars: people, processes and technology. Also in 2020 we worked on fourteen projects, twelve of which finalised that year:

- Advanced anti-malware deployment.
- Advanced Email Protection (O365).
- Measures and mechanisms in Cloud Control.
- Network segmentation between countries.
- Browsing control and filtering.
- Implementation of Vendor Risk Management.
- Securing VPNs.
- Security process from design (Security in Project).
- International deployment of the Global Security Operations Centre (GSOC).
- Simulation of cyber attacks (Cymulate).
- Implementation of Phishing (Cofense) reporting button.
- Implementation of Threat Intelligence (Phase I) and Threat Hunting model.

Mitigation actions carried out by Naturgy:

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

During the year, the Cyberincident Response Plan was completed and implemented in the Naturgy Group's Global Security Operations Centre. Following its implementation, it has been reviewed by Internal Audit and, in addition, it has been tested by means of a crisis simulation, a cyber-incident response simulation and a Red Team exercise.

During 2020, Naturgy has been working on updating the cybersecurity regulatory corpus to adapt it to the new structure of the organisation. Currently, in the final stage of the year, most of the high-level documents (policies and technical standards) have been approved and progress has been made in closing specific specifications and procedures. This update is being carried out using a series of international standards and best practices as a control framework, such as ISO 27001, NIST SP 500-53 or ISA 62441. The documents of the new regulatory body are published on the corporate regulatory site and are accessible to all group employees. Once the documents have been approved in their final version, they will be adapted for each of the geographical areas in which the group operates.

Work has been done to include cybersecurity from the design stage in projects through the Security in Projects initiative, whose medium- and long-term objective is to cover all projects and initiatives that arise within the group. In this initial phase, the focus has been on the identification and valuation of assets, considering confidentiality, integrity and availability as basic objectives.

With regard to vulnerability management, Red Teaming exercises are being carried out to identify, classify and subsequently resolve such vulnerabilities, with priority being given to their critical nature.

The risk inherent in contracting services from suppliers is controlled through the implementation of a Vendor Risk Management initiative, based on a form that allows the service outsourcing unit to conduct a cybersecurity self-assessment. In the mid-term, we plan to extend the scope and depth of this supplier risk control model.

In relation to personal data protection, work continues in line with the requirements of the General Data Protection Regulation (GDPR), using the results of the Data Protection Impact Assessments (DPIA) to determine the technical measures that need to be applied to the systems (both in production and pre-production environments), establishing a benchmark of different tools to select the most appropriate one.

CyberSOC's capabilities have been extended, integrating within its scope new sources of cyber-intelligence, new use cases, MISIP, etc. to ensure that potential incidents are detected early, minimising the potential damage they may cause and ensuring an optimal response. In this sense, work is being done to integrate both information technology (IT) and operating technology (OT) environments within it.

Work has been conducted on a Global Incident Response Plan, in which CyberSOC orchestrates the course of action in case of need. Roles and responsibilities have been clearly assigned, and those responsible are identified to facilitate maximum speed in communications. This plan is aligned with the Crisis Management Plan.

To protect end users, both EPP (End Point Protection) and EDR (End Point Detection & Response) tools have been deployed, thus facilitating the prompt detection and efficient response to incidents produced within this area. In addition, user navigation and all corporate emails have been protected (anti-phishing), including the display of a button to report suspicious emails.

With regard to training of employees in cybersecurity, the cybersecurity course remains compulsory for all staff and has been completely renewed. Along this same action line, phishing campaigns have also been conducted to assess the level of employee awareness and, at the same time, help to increase it. These exercises have been carried out on a quarterly basis, providing each participating employee with customised feedback, which varies according to their performance in response to the exercise.

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

6. Protection of strategic assets at Naturgy

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

Throughout 2020, the corporate Security and Cybersecurity units have monitored and supervised the processes established to protect their critical infrastructures, performing actions for the review/updating of applicable documentation, managing the incidents detected and maintaining dialogue with businesses, with the National Centre for the Protection of Critical Infrastructures (CNPIC), with the National Institute of Cybersecurity (INCIBE-CERT) and with other public and private bodies involved in Critical Infrastructures.

Likewise, in the context of the COVID-19 crisis, Naturgy has accredited, through the Ministry of the Interior and through the CNPIC, all essential personnel in the operation and protection of its strategic infrastructures, with the aim of facilitating their mobility in the face of the restrictions due to the state of emergency.

7. Internal auditing

Assurance function of Internal Audit

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

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

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

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

In 2020, 137 (124 in 2019) internal audit projects were carried out, 110 (95 in 2019) of which corresponded to the review of processes associated with the main risks of the general service and business departments at Naturgy. The analyses carried out reached 100% of the general service and business departments. In the projects performed in 2020, no significant incidents related to corruption were detected.

8. Non-compliances and fines

The penalties imposed on Naturgy with a value of more than Euros 10,000 and considered final in administrative proceedings during 2020 are detailed below. This is without prejudice to any legal action that may be taken against them and which could lead to their annulment.

In Chile, in 2020 the company was fined Euros 312,735 for cables in poor condition that caused a gas network to be perforated; a fine of Euros 634,264 for failing to take the necessary safety measures in a gas network, and a fine for supply cut-off amounting to Euros 32,747. In the electricity business, the company has been fined for non-compliance with prevailing electricity regulations, amounting to Euros 4,001,148. For failure to read and bill in a timely manner, a fine of Euros 59,541 and for providing incorrect information and failing to comply with maintenance obligations, Euros 41,679. For lack of maintenance, the company has received several fines amounting to Euros 994,333. The company has also been fined for delays in connection and suspension of supply amounting to Euros 151,829 and for service quality problems totalling Euros 154,806.

In Brazil, the company has received two penalties, one for Euros 12,590 for deficiencies in the maintenance of the gas network and another for Euros 60,443 for an accident with fatal consequences in the high-pressure gas network.

In Spain, in 2020 in the gas distribution area, the company has received a penalty of Euros 151,800 for incorrect billing and another of Euros 15,000 for charging an undue fee.

As for the distribution of electricity, the company has received a penalty of Euros 25,000 for delays in providing the service. In relation to the commercialisation business, Naturgy has received two fines for a total amount of Euros 72,189 for incorrect invoicing, a fine of Euros 15,000 for inadequate management of the complaints service, two fines for a total amount of Euros 21,369 for improper activation of the supply contract and a fine for the inclusion of abusive clauses in contracts, in the amount of Euros 11,000.

In 2020, the company registered no fines for monopolistic practices.



We comply with
reporting and corporate
responsibility standards,
and have received
international recognition
in sustainability.

Sustainability Report and Non-Financial
Information Statement
2020

14

About
this report

14. About this report

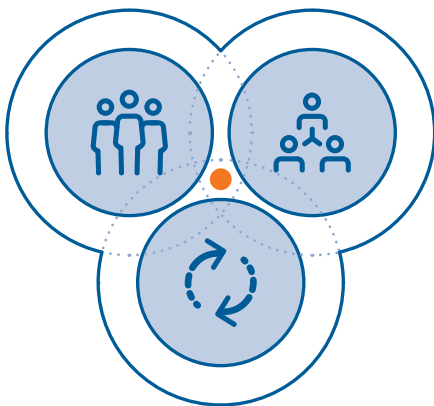
This Sustainability Report and Non-Financial Information Statement forms part of the Director's Report of Naturgy Energy Group, S.A. and the Consolidated Director's Report of Naturgy Energy Group, S.A. and subsidiaries for the financial year 2020. It is subject to the same criteria for approval, deposit and publication as these reports and has been verified by an independent verification service provider. By issuing this report, Naturgy Energy Group, S.A. complies with the provisions of Article 262 of the Corporate Enterprises Act and Article 49 of the Commercial Code as amended by Law 11/2018 of 28 December on non-financial reporting and diversity, which transposes Directive 2014/95/EU into Spanish law.

1. Materiality focus

For the preparation of this 2020 Sustainability Report and Non-Financial Information Statement, Naturgy has based itself on the standards of the Global Reporting Initiative (GRI)—known as GRI Standards—and has taken into account the requirements of Law 11/2018 on non-financial information.

The company believes that the report has been prepared in accordance with the core or essential level of GRI Standards. The Materiality Disclosures methodology has been applied for yet another year. This methodology reviews the definition of material issues, their scope and the information on the commitment of stakeholders.

The material issues identified at corporate level are those that:



- Are of greatest relevance from the standpoint of corporate responsibility and reporting.
- Can promote a more significant change in terms of economic, environmental and social impact.
- Are considered most relevant to the stakeholders of the company.

List of material aspects at corporate level

Naturgy identified twelve material aspects of maximum significance, which are detailed below:

Matters of maximum significance

01. Climate change and energy transition.	Environmental
02. Business integrity, compliance and transparency.	Economic
03. Circular economy and eco-efficiency.	Environmental
04. Occupational safety.	Social
05. Social contribution and participation.	Social
06. Customer service and satisfaction.	Economic
07. Responsible and sustainable supply chain.	Economic
08. Care and welfare of workers.	Social
09. Good corporate governance.	Economic
10. Biodiversity and natural capital.	Environmental
11. Diversity and equality.	Social
12. Energy vulnerability.	Social

Note: each country has a different prioritisation based on its corporate responsibility agenda.



Materiality analysis process

To update the analysis of relevant issues carried out, the specific standards defined by GRI, including the new GRI standard on taxation, have been taken as a starting point and adapted to the company's own characteristics in 2020.

Furthermore, for the prioritisation and definition of issues we conducted interviews with different areas of the company and with external stakeholders, and have included other inputs, both internal and external.

For each of the twelve major issues identified, Naturgy has collected, identified and analysed the following information in its materiality study:

- What the matter means and why it is material:
 - Definition and description of the issue.
 - Sub-issues into which the issue is divided.
 - Relevance of the issue for the company and its business.
 - What point of the value chain is affected by the issue.
 - Which stakeholders are impacted.
- Management of the publication of information on the subject by Naturgy:
 - Related GRI Standards.
 - Related requirements of Law 11/2018.
 - Related Sustainability Accounting Standards Board (SASB) indicators.
- Sustainable Development Goals (SDG) directly associated to the issue.
- Details of good practices in other companies in the sector.

Sources consulted

In the identification and prioritisation of material issues, the following sources were taken into consideration:

- International reporting frameworks (GRI and SASB).
- Law 11/2018 on non-financial information and diversity.
- Naturgy's Corporate Responsibility Policy.
- Internal interviews with key areas of the company.
- RobecoSAM, FTSE4Good, MSCI, Sustainalytics and Vigeo Eiris requirements.
- Trends in the sector.
- Binding and non-binding regulatory requirements on ESG matters.

- RepRisk for analysis of the main global events of interest for each issue that has taken place during the year.
- The Global Risks Report 2020 of the World Economic Forum.
- Benchmark of companies in the utilities sector with high performance in sustainability.
- Agenda 2030 for Sustainable Development and the Sustainable Development Goals (SDG).

Map of material issues

In order to respond to the requirements of the GRI Standards, a map of material issues that identify what represents a material issue for Naturgy and where it is relevant is provided. As regards the latter criterion, Naturgy identifies the materiality of the issue from three standpoints on this map:

- Point of the value chain at which the issue is material.
- Impact of the aspect inside and outside the company and, consequently, the stakeholder affected.
- Geographic location. To determine the countries in which the issues are material we need to cross-check the following table with the activity map in the Business Model chapter. In this way, and based on the governing philosophy of integrated and uniform management at Naturgy, the issue will be material in those countries that perform the activity of the value chain in which the issue is material.



#	Material aspects for Naturgy	GRI Standard related to the material issue	Nature
01	Climate change and energy transition	[305] (1-7) Emissions.	EN
		EU1 Installed capacity.	
		EU2 Net energy output.	
		EU3 Number of clients.	
		EU4 Length of transmission and distribution lines.	
		EU5 Allocation of CO ₂ emissions allowances or equivalent.	
02	Business integrity, compliance and transparency	[205] (1-3) Anti-corruption.	EC
		[206-1] Legal actions related to unfair competition, monopolistic and anti-competitive practices.	
03	Circular economy and eco-efficiency	[307-1] Non-compliance with environmental laws and regulations.	EN
		[301] (1-3) Material issues.	
		[302] (1-5) Energy.	
		[303] (1-5) Water and effluents.	
		[306] (1-5) Effluents and waste.	
04	Occupational health and safety	[403] (1-10) Occupational health and safety.	SO
		EU25 Injuries and fatalities to the public due to company activities.	
05	Social contribution and participation	[413] (1-2) Local communities.	SO
06	Customer service and satisfaction	[417] (1-3) Marketing and labelling.	EC
07	Responsible and sustainable supply chain	[102-9] Supply chain.	EC
		[204] Procurement practices.	
		[308] (1-2) Environmental assessment of suppliers.	
		[414] (1-2) Social assessment of suppliers.	
08	Care and welfare of workers	[401-2] Benefits provided to full-time employees that are not provided to temporary or part-time employees.	SO
		[401-3] Parental leave.	
		[402-1] Minimum notice periods regarding operational changes.	
09	Good corporate governance	[405-1] Diversity of governance bodies and employees.	EC
10	Biodiversity and natural capital	[304] (1-4) Biodiversity.	EN
		EU13 Biodiversity of surrounding area habitats.	
11	Diversity and equality	[401-1] New employee hires and employee turnover.	SO
		[405-2] Ratio of basic salary and remuneration of women to men.	
12	Energy vulnerability	EU27 Disconnections of residential customers for non-payment.	SO

Stages of the value chain where the material issues have greatest impact

Gas				Electricity			Impact of the aspect inside and/or outside the organisation by stakeholder	2020 Corporate Responsibility Report chapter that deals with the issue
Supply	Transport	Distribution	Commercialisation	Generation	Distribution	Commercialisation		
■	■	■		■	■		Shareholders · Investors Suppliers Business partners Analysts Society Administrative staff · Regulatory bodies Financing groups Customers Insurance and reinsurance agencies.	Responsible environmental management.
■	■	■	■	■	■	■	Shareholders · Investors Suppliers Business partners Employees Analysts Market agents Society Administrative staff · Regulatory bodies Financing groups Customer Insurance and reinsurance agencies.	Integrity and transparency.
■	■	■	■	■	■	■	Suppliers Business partners Employees Analysts Society Administrative staff · Regulatory bodies Insurance and reinsurance agencies.	Responsible environmental management.
■	■	■	■	■	■	■	Shareholders · Investors Suppliers Employees Analysts Administrative staff · Regulatory bodies Insurance and reinsurance agencies.	Health and safety.
■	■	■	■	■	■	■	Shareholders · Investors Suppliers Business partners Employees Analysts Society Administrative staff · Regulatory bodies Customers.	Social commitment.
	■	■	■		■	■	Shareholders · Investors Suppliers Analysts Administrative staff · Regulatory bodies Customers Insurance and reinsurance agencies.	Service excellence.
■	■	■	■	■	■	■	Shareholders · Investors Suppliers Business partners Analysts Society Customers.	Responsible supply chain.
■	■	■	■	■	■	■	Employees Analysts Society Administrative staff · Regulatory bodies.	Interest in people.
■	■	■	■	■	■	■	Shareholders/Investors Analysts Administrative staff · Regulatory bodies Financing groups.	Integrity and transparency.
■	■	■		■	■		Shareholders · Investors Suppliers Business partners Employees Analysts Society Administrative staff · Regulatory bodies Insurance and reinsurance agencies.	Responsible environmental management.
■	■	■	■	■	■	■	Shareholders · Investors Employees Analysts Society Administrative staff · Regulatory bodies.	Interest in people.
		■	■		■	■	Business partners Analysts Society Administrative staff · Regulatory bodies Customers.	Social commitment.

Materiality of the aspects of Law 11/2018

The materiality analysis has shown that almost all the aspects required by Law 11/2018 on non-financial information are material for the specific activities performed by Naturgy. In this regard, according to the independent review report, this report has met all those aspects required by Law 11/2018 that are material to Naturgy.

Only food waste and light and noise pollution have not been identified as material. Food waste is not a relevant issue for the company because the company's activity is not linked to the food sector and the company does not engage in intensive food consumption. Likewise, the environmental risk analyses carried out by the company have determined that the company does not have a significant or relevant impact on light and noise pollution.

2. Scope of the information

This report contains the consolidated financial and non-financial data of Naturgy, referring to all the activities carried out during 2020 as a global gas and electricity operator, although they show peculiarities in some chapters:

Those indicators that plot progress throughout the year must reflect information on companies held for sale except where indicated otherwise in a footnote, while the indicators that represent information at year-end will not include information in connection with such companies.

As these are consolidated data, they do not include companies accounted for using the equity method.

In the field of human resources, the reported information refers to the countries in which Naturgy operates and where it has established companies with hired staff assigned to these countries and where the company performs centralised management of its human resources policies, except the number of employees.

With regard to the environment, the disclosures refer solely to those companies or activities that are at least 50% owned or controlled by the company, which have the capacity to influence environmental management and have the capacity to make a significant impact, based on global data.

Appendix I of the Consolidated Annual Accounts, entitled "Naturgy Companies", contains a complete list of the companies belonging to Naturgy at 31 December 2020.

Changes in the consolidation scope are described in Appendix II of the Consolidated Annual Accounts.

3. Compliance with benchmark standards

The company prepares its report in accordance with the GRI Standards, and includes the applicable additional information required by the GRI "Electric Utilities" and "Oil and gas" supplements. The company therefore considers that this report has been prepared in accordance with the Core option of the GRI Standards. This report has also been drawn up in accordance with the AA1000AP (2018) standard and the United Nations Guiding Principles Reporting Framework.

- AA1000AP (2018) standard: the purpose of this standard is to provide organisations with a set of principles to situate and structure the way in which they understand, govern, administrate, implement, assess and surrender their accounts in sustainability performance.
- The Global Reporting Initiative Standards: in accordance with the Global Reporting Initiative recommendations, the balanced and reasonable presentation of the organisation's performance requires application of certain principles to determine the content of public information on this issue and to guarantee its quality.
- United Nations Guiding Principles Reporting Framework: the idea behind this framework is that the companies should report all information relating to human rights in line with the UN Guiding Principles on Business and Human Rights.

The consideration of the principles set out in the following table ensures that the information satisfies the guarantees required by the foregoing standards.

Application of the AA1000AP (2018) standard.

- Inclusivity: in relation to this principle, the numerous actions aimed at stakeholders for consultation and dissemination carried out throughout the year are particularly relevant.
- Relevance: the relevant matters for Naturgy are included in its Corporate Responsibility Policy, updated in 2019. A major part of this report is structured according to said matters. The contents of this report are also determined by the materiality study.
- Response capacity: this includes key performance indicators of the company, as well as its core policies, strategies, management systems and initiatives in the spheres taken into account.
- Impact: this includes information on the effect of Naturgy's behaviour, performance and/or results on the economy, the environment, society, the stakeholders and the company itself.

Principles for drafting this report.

- Stakeholder participation: the company has identified its stakeholders and their expectations and has specified actions to establish a two-way dialogue with them. For further information, see the sections included in this report on "Naturgy's stakeholders".
- Sustainability context: the report analyses the company's performance in the context of the social, environmental and economic requirements of its social and market environments. The sections on business model, strategy and sustainable opportunities focus specifically on this area.
- Materiality: the issues identified in the materiality study 2020 have been considered as material and have been included in the Sustainability Report and the Non-Financial Information Statement 2020.
- Thoroughness: the outline of contents have been defined with the help of those in charge of the key management areas of the company. This guarantees that essential aspects and impacts that each activity area of Naturgy has on its environment and on its own business targets have been taken into consideration.

Continues >

Quality of the information given.

- Accuracy: all the information in the report is necessary and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.
- Balance: the report clearly shows the positive and negative aspects of the organisation's performance, which enables a reasonable valuation thereof.
- Clarity: the information is presented in a way that is understandable and accessible. To enable its correct understanding, the use of technical terms is avoided. In addition, it uses graphs, diagrams, tables and indicators to describe the company's most relevant impacts and make it easier to read the document.
- Comparability: the information given in this report is consistent and makes it possible to analyse the evolution of the company performance over time and be compared with other companies.
- Reliability: the figures given in this report have been verified by EY. The drafting of the report took into account the four principles required by the AccountAbility AA1000AP (2018) standard, and whether or not the information given responds to the stakeholders' concerns and requirements.
- Frequency: Naturgy publishes its Sustainability Report and Non-Financial Information Statement annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.

United Nations Guiding Principles Reporting Framework.

- Setting human rights reporting in the business context.
 - Meeting a minimum threshold of information.
 - Demonstrating ongoing improvement.
 - Focusing on respect for human rights.
 - Addressing the most severe impacts on human rights.
 - Providing balanced examples from relevant geographies.
 - Explaining any omission of important information.
-

4. Verification

The integrity, sound and truthful nature of the information given in this report are maintained by the policies and procedures included in Naturgy's internal control systems and their purpose includes guaranteeing the correct presentation of the company's information to third parties.

In these policies and in accordance with the Global Reporting Initiative recommendations, Naturgy commissions an annual verification of the contents of its report by an independent third party.

This 2020 report has been verified by EY, which reviews the adaptation of the contents of the Sustainability Report and the Non-Financial Information Statement to the provisions laid down in the Global Reporting Initiative guidelines, the AA1000AP (2018) standard and Law 11/2018 on non-financial reporting and diversity.

As a result of the said process, an independent review report is drawn up to include the goals and scope of the review, as well as the verification procedures used and the corresponding conclusions, which can be consulted in the "Additional information" chapter of this report.

5. Queries and additional information

In addition to this report, Naturgy has published the following reports in 2020 which include both financial and non-financial information:

- Corporate Governance Report.
- Audit and Control Committee Report.

It should also be noted that Naturgy publishes local corporate responsibility reports in the main countries where it operates.

Readers can send their questions, queries or requests for information via the corporate website:

<https://www.naturgy.com/inicio>



We are transforming
the energy sector
to minimise its
environmental impact.

Sustainability Report
and Non-Financial Information Statement
2020

15

Carbon Footprint Report

15. Carbon Footprint Report

1. Main figures

■ Greenhouse gas emissions

	2020
Scope 1 (tCO ₂ eq)	14,301,874
Scope 2 (tCO ₂ eq)	1,153,608
Scope 3 (tCO ₂ eq)	123,217,903
CO ₂ emission intensity of electricity generation (tCO ₂ /GWh)	297
Intensity of methane leaks in the natural gas distribution network (tCO ₂ eq/km network)	5.7

■ Electricity generation

	2020
Installed capacity free of emissions (%)	33
Net production free of emissions (%)	32
Total installed capacity in renewables (MW)	4,609
Increase in installed capacity in renewables in 2020 vs. 2019 (%)	10

■ Main climate change targets



01 |

Reduce absolute GHG emissions

Scopes 1 and 2 by 21% in 2022 vs. 2017



02 |

Reduce the CO₂ emission intensity of electricity generation

by 22% in 2022 vs. 2017



03 |

Reach a percentage of renewable installed capacity

in the generation mix that is greater than 34% by 2022

2. Significant events

In 2020

- 72% of investment spent mainly on increasing renewable generation and extending and improving electricity networks, in line with the energy transition.
- 151 MW of new renewable power in Spain put into operation, increasing installed wind power capacity by 10% compared to 2018 in Spain and by 8% globally.
- Closure of all the group's coal-fired plants, which will lead to a significant reduction in CO₂ emissions.
- Commercialisation of ECO tariffs and products in Spain, such as the ECO electricity tariff, to provide customers with 100% of their energy from renewable sources (approximately 5,400 GWh, 29% of the energy supplied) and the neutral gas tariff, a natural gas supply service offset by neutralising their CO₂ emissions. In 2020, Naturgy offset about 13,783 tCO₂eq for its customers.
- In 2020, 2.02 GWh of biomethane (GHG-neutral renewable gas) from the Butarque WWTP project, which is part of the European ECOGATE initiative, were injected into Spain's gas networks. In addition, we have started the construction of the biomethane plant at the Elena landfill and the injection unit at the Bens WWTP, with the aim of being able to inject renewable gas into the network at the beginning of 2021.
- Reduction of 7% of direct greenhouse gas emissions compared to 2019.
- Naturgy included in the CDP Climate Change 2020 A List in recognition of its climate management in 2020.

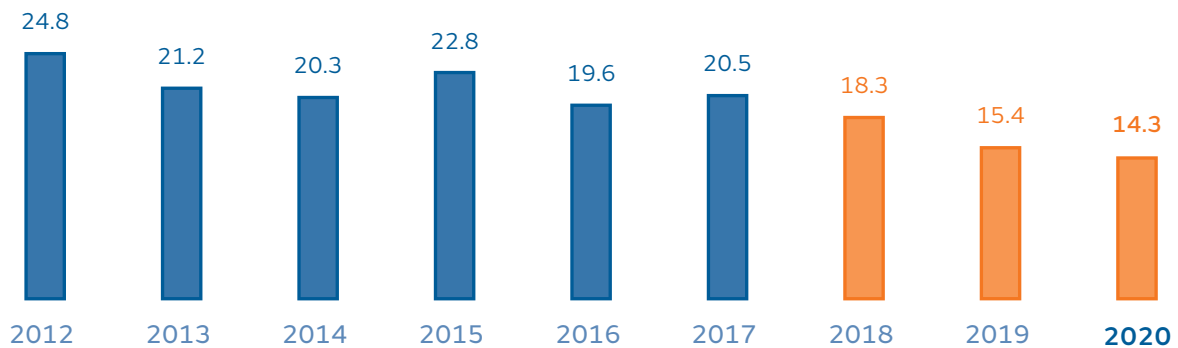
Since the launch of the Strategic Plan

- 30% fall in direct GHG emissions in 2020 vs. 2017.
- 23% reduction of CO₂ intensity in electricity generation in 2020 vs. 2017.
- 16% reduction of carbon footprint (Scopes 1, 2 and 3) in 2020 vs. 2017.

Since 2012

- We have reduced our direct GHG emissions (Scope 1) by 42%. The graph below shows the evolution over time, highlighting the decrease from 2017, with the implementation of the Strategic Plan 2018-2022.

■ GHG emissions Scope 1 (MtCO₂eq)



We have offset all the emissions from our buildings, travel and fleet by 12,114 tCO₂eq and also 13,783 tCO₂eq for our customers with the Neutral Gas product.

3. Climate change governance

At Naturgy, the delegate Sustainability Committee of the Board of Directors is responsible for climate change governance. It oversees the company's actions in the area of sustainable development, focusing on environmental, social and corporate governance policies. In relation to climate change, this committee monitors performance against defined key indicators as well as the management of risks and opportunities related to climate change.

Climate governance involves all of the company's businesses, operating areas, geographies and projects through the Management Committee and the Sustainability Committee.

Environmental and climate change risks are integrated into the global risk management model. Ensuring predictability and sustainability in the company's operational and financial performance is one of the key aspects of risk management at Naturgy.

Governance agencies and responsibilities in climate change

Board of Directors

Sustainability Committee

Oversees sustainability policies, focusing in particular on environmental, social and corporate governance policies.

Audit Committee

Monitors the management and exposure to risk of the different businesses.

Senior Management

Management Committee

Ensures the application and monitoring of business and sustainability policies, strategies, plans and objectives, proposing measures in the area of climate change.

Sustainability Committee

Ensures the performance, implementation and improvement of environmental and climate change policies, commitments, plans and objectives through monitoring and action proposals.

Risk Committee

Determines and reviews the target risk profile and supervises risk management by the units.

Business and Corporate Units

Business and Corporate Units

Responsible for the application of general principles and strategies and the development of plans, projects and activities to meet climate change targets.

Corporate Environment Unit

Establishes the policy, indicators and objectives for the environment and climate change in coordination with the businesses, monitors the evolution, consolidates the information and centralises reporting for the management committees and Board of Directors.

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

This commitment made by senior management is transferred to all business and corporate units through the Global Environmental Policy, which establishes climate change and energy transition as one of its strategic environmental areas, defining the following basic principles of action:

Basic principles of action



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

These guidelines, in turn, are translated into high-level climate targets for the framework set by the Strategic Plan 2018-2022 and reflected in the Environmental Plan, which are summarised in the table below:

	Indicator	Target 2022
Climate change and energy transition	Absolute GHG emissions Scope 1 and Scope 2.	Reduce emissions by 21% in 2022 compared to 2017 to 17.3 million tCO ₂ eq.
	CO ₂ intensity in power generation.	Reduce specific CO ₂ emissions from power generation by 22% in 2022 compared to 2017 to 304 tCO ₂ /GWh.
	Percentage of the generation mix from renewable sources measured in installed capacity over the total of the group.	34% renewable power in electricity generation.

Note:
The absolute emissions and GHG intensity targets are in line with the overall objective of the Paris Agreement to keep the temperature increase below 1.5°C.

These commitments are transferred to the assessment of the management team’s performance through objectives of transformation of the generation mix, development of renewable energies and energy efficiency, which result in the reduction of GHG emissions.



4. Management of risks, opportunities and strategy in climate change

Risk management

Naturgy identifies and assesses the impact of the main risk factors through the Risk Management Model, which seeks to ensure the predictability of the company's performance in all aspects relevant to its stakeholders.

The elements that allow for continuous improvement in the process of identifying, characterising and determining Naturgy's risk profile are: the Risk Control and Management Policy, the Corporate Risk Map and the Risk Measurement System.

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

These risks are identified following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and in accordance with the nomenclature used in that standard. The following classification is established: physical risks (acute and chronic) and transition risks (regulatory, technological, market and reputation).

The assessment analyses the probability of occurrence, the time horizon and the impact, taking into account two scenarios. The first scenario is the 2°C policy scenario, i.e., with the objective of reaching a maximum global warming of 2°C. The second, much more restrictive scenario, corresponds to a global warming objective of 1.5°C or less. The section "Scenarios considered" below gives details of these scenarios.

The time horizons are approximate, although a reference could be: short-term in reference to the Strategic Plan 2018-2022, medium-term until 2030 and long-term beyond 2030.

The information included in the management section develops the company's policies or actions aimed at minimising the risks identified.

The main risks linked to climate change at Naturgy are the following:

Main risks linked to climate change at Naturgy

Identification

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

Assessment				Management
Probability	Time horizon	2°C impact	1.5°C impact	Management
Possible	Medium	Low	Very low	Policies for: property damage/loss of profit, environmental liability and land liability. All our facilities are designed to operate under extreme weather conditions.
Possible	Short	Medium-High	Medium	Policies for: property damage/loss of profit, environmental liability and land liability. Innovation projects for the improvement of felling and pruning work for the maintenance of power line safety corridors.
Possible	Medium	Low	Very low	Increase the contribution of electricity businesses vs. gas businesses. Operational efficiency plan that establishes objectives to improve specific consumption in thermal power stations, compensating for efficiency losses due to temperature increases.
Possible	Long	Low	Very low	Hydroelectric power station repowering programme. Study of the impact of climate change on hydroelectric power stations. Dominant position in combined-cycle power stations to support the production of electricity from renewable sources.
Possible	Long	Low	Very low	Plans for self-protection and periodic evaluation of emergency environmental issues.
Likely	Medium	Low-Medium	Medium-High	Measures to reduce the company's carbon intensity: divestment of high carbon intensity assets (coal mine in South Africa, fuel oil power generation in Kenya), announcement of coal plants closure, development of new renewable power, increasing the weight of electricity in the company's portfolio and boosting renewable gases. Positioning natural gas in the energy transition as a substitute for high-emission fossil fuels (coal and/or oil derivatives).
Likely	Medium	Medium-High	High	Investment to triple installed renewable capacity by 2022. Promoting innovation in renewable gas, hydrogen, energy storage and other technologies for energy transition to a decarbonised economy.
Likely	Medium	Medium	Medium-High	Accounting adjustment of the book value of conventional electricity generation assets. Announcement of the closure of the coal-fired power stations. Development of new services (self-consumption, commercialisation of renewable electricity, PPAs) and low-carbon products (Neutral Gas, GDO's in the gas sector). Increase the contribution of regulated vs. liberalised businesses and increased weight of electricity in the company's portfolio.
Remote	Short	Medium-High	High	Corporate positioning on climate change with new Global Policy and Environmental Plan that includes emission reduction targets aligned with 1.5 °C scenarios. Presence in the main sustainability indices such as CDP or DJSI.

Climate risk assessment methodology

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

The tool uses a Monte Carlo simulation ⁽¹⁾ which determines the optimal abatement cost ⁽²⁾ in the European Union to meet the CO₂ reduction targets for 2030 and allows CO₂ price scenarios to be obtained that reflect the evolution of the penetration of renewable energies, fuel prices, electricity demand, electricity prices, impact on Ebitda, Value at Risk, etc.

The model allows the parameters related to energy markets (penetration of renewables, energy efficiency, CO₂ and energy prices) to be modified in order to carry out sensitivity and regulatory analyses and stress tests. In addition, impact assessment scenarios based on new products and services or R&D&I actions can be simulated.

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

- **Temporary:** the impacts are analysed over various time horizons (2020-2050) and the risks are classified according to their relevance in the short, medium and long-term.
- **Nature of the business:** the impacts that could be caused in the company's different businesses (generation, commercialisation and distribution of electricity and gas and operation in markets of CO₂ emission rights) are analysed.
- **Geography:** the impacts are analysed in the various countries in which Naturgy operates.

Scenarios considered

EIPCC SRES A2 temperature increase scenario (2°C).

- 2DS ETP IEA (2°C) 50% probability of not exceeding 2°C in 2100 (central scenario).
- B2DS ETP IEA (well below 2°C) 66% probability of limiting peak warming between now and 2100.
- SR1.5 IPCC (1.5°C) Scenario defined for 1.5°C by SBTi.

In the last simulation carried out, we worked with 4 scenarios for covering demand in 2030. We obtained abatement costs for 2030 of around Euros 40/tCO₂ for the intermediate scenarios. The CO₂ price is used for:

- Strategic decision-making.
- Investment analysis.
- Identifying opportunities according to the degree of maturity in low-carbon technologies.

⁽¹⁾ The Monte Carlo simulation is a computerised mathematical technique that allows risk to be taken into account in quantitative analysis and decision-making. When applied to the world of energy prices, it gives a measure of the maximum individual and/or joint variation that these prices can have, over a given time horizon and at a given level of confidence.

⁽²⁾ For the purposes of the climate change risk model, work is done with the concept of abatement cost as the optimum CO₂ price for meeting the European Union's emission reduction targets for 2030.

Note:

IPCC: Intergovernmental Panel on Climate Change; ETP: Energy Technologies Perspectives; IEA: International Energy Agency; SBTi: Science Based Target Initiative.

- Climate change and energy transition risk analysis, and stress testing.
- Analysis of climate change and GHG regulation.

One of the main conclusions drawn from this analysis is that the sensitivity of the business is greater to the transition parameters than to the physical ones, since the latter represent a much smaller impact on the company, in part because they are properly covered.

Strategy and opportunities

Risk analysis and development of opportunities linked to the transition energy is one of the pillars of Naturgy's Strategic Plan.

Industrial model

- The customer as the focal point.
- Energy transition as an opportunity.
- Digitalisation.
- Competitive and agile.

Renewables and natural gas

Low carbon and rise of renewables with gas as a key contributor.

- x3 growth in renewable energies by 2022.
- Leadership in combined-cycles.
- Leadership in liquefied natural gas.
- Natural gas in mobility.
- Renewable gas.

Infrastructure

Electrification and energy efficiency.

- Initiatives to increase the weight of electricity in the group to 50% by 2022.
- Leading positions in countries showing strong fundamentals for organic growth based on electrification and renewable gas penetration.

The opportunities linked to climate change considered in the Strategic Plan are detailed below:

Opportunities	Description
Development of new renewable installed capacity (solar and wind)	<p>Development of new renewable projects for the gradual decarbonisation of the generation mix. Reduced investment and operating costs compared to other technologies and the possibility of financing through instruments such as Green Bonds.</p> <p>Positioning in a growing market linked to renewable energies (Power Purchase Agreement, Guarantees of Origin, etc.).</p> <p>In the medium-term, combined-cycle power stations represent the best possible backup for renewable energy.</p>
Promotion and development of renewable gases	<p>The drive and innovation for the development of renewable gas (biomethane and hydrogen) will provide a new energy product, which can replace natural gas, but with neutral CO₂ emissions in a circular economy model. Renewable gas will maintain the value of distribution network assets in the long-term and allow customers to decarbonise with minimal changes to their facilities, in an economically efficient manner thanks to existing gas infrastructures.</p>
Smart and integrated networks (gas and electricity)	<p>The digitisation and integration of electricity and gas networks will enable dynamic demand management, cost reduction, increased security of supply and the development of new services associated with big data.</p> <p>In addition, smart networks, coupled with renewable gas generation from surplus electricity generated on wind or solar farms, will enable energy storage by taking advantage of existing infrastructures, without the need for additional batteries, and on the scale required to meet seasonal variations in demand.</p>
Natural gas as energy for the energy transition	<p>Penetration of natural gas and LNG (liquefied natural gas) in carbon-intensive markets, to replace high-emission fossil fuels (coal, oil) in an efficient and rapid manner, in line with the pace of the international climate agenda. Development of new products, such as Neutral Gas, to offer customers a decarbonised alternative.</p>
Energy efficiency	<p>Promotion of energy efficiency in both internal and customer processes, with a commitment to business models of energy service companies (ESCOs). Energy efficiency provides economic competitiveness and makes possible synergies with other sectors, as in the case of cogeneration.</p>
Strengthening the position in the electricity business	<p>Growth in the electricity distribution business associated with the growing trend towards electrification of the economy.</p>
Digitalisation to provide new customer services	<p>The use of technologies such as the Internet of Things (IoT) and artificial intelligence makes it possible to develop the figure of the active customer, who has tools for monitoring and controlling their facilities in order to consume energy more efficiently and integrate new services such as distributed renewable generation or electrical mobility.</p>
Sustainable mobility	<p>Penetration in the road and maritime mobility sector through the development of electric and gas solutions, which allow the reduction of CO₂ emissions, the improvement of air quality and economic savings for users. In the case of maritime transport, LNG (liquefied natural gas) is the most eco-efficient alternative in terms of GHG emissions.</p>
Positioning, governance and transparency	<p>Strengthening governance and policies on sustainability and climate change to meet the expectations of customers, investors and society in general.</p> <p>Transparency and good performance make it possible to improve the position with ESG investors and access to improved conditions of funding.</p>

Degree of compliance achieved in the first two years of the Strategic Plan

- 72% of the total investment has been devoted to new renewable projects (Euro 503 million) and electricity networks (Euros 408 million).
- Closure of all the group's coal-fired plants.
- Increase in installed renewable wind and solar power capacity by 1,142 MW, up 1.9 times compared to 2017.
- Increase in more than 4,400 km of electricity networks (up 2%).
- Seven bunkering operations have been carried out on two ships, replacing oil-based fuels with liquefied natural gas, which is the most eco-efficient alternative in maritime transport in terms of both GHG emissions and other pollutants.
- Commissioning of 5 new vehicular natural gas stations in Spain.
- Development of the innovative DirectLink LNG and LNG on Wheels projects that allow the arrival of liquefied natural gas (LNG) to areas where it was not viable until now, promoting the replacement of carbon-intensive fuels.
- Launch of low-carbon products and services, such as Neutral Gas, which offers customers natural gas offset by neutralising their CO₂ emissions.
- Start-up of several innovation projects in renewable gas, injecting biomethane into the gas distribution network for the first time in Spain.

5. Objectives and metrics

Targets

Naturgy's climate change strategy is embodied in the following targets:

Targets 2022. Strategic Plan 2018-2022

Naturgy approved high level short-term targets associated with meeting the Strategic Plan 2018-2022, which are included in the Environmental Plan:

- To reach a percentage of the generation mix from renewable sources, measured in installed capacity, greater than 34% by 2022.
- To reduce GHG Scope 1 and 2 emissions by 21% in 2022 compared to the base year 2017 and CO₂ emission intensity in electricity generation by 22% (tCO₂/GWh).

These objectives have been set with the following considerations:

- The targets are aligned with the overall average reduction required under SBTi for a 1.5°C scenario and with the 2025 and 2030 targets.
- Compliance with the objectives in previous years does not ensure compliance in 2022 due to the influence of the variability of hydropower and wind in the electricity generation mix.

Targets 2025. SBTI

In 2015 Naturgy established medium-term objectives to meet the requirements of the Science Based Target Initiative (SBTI) Tool v.8. The targets are defined as a 26% reduction in Scope 1 and 2 emissions in 2025 compared to the base year 2012 and a 33% reduction in the intensity of CO₂ emissions in electricity generation over the same time horizon.

These objectives have been set with the following considerations:

- The targets are aligned with the reduction required under SBTI for a 2°C scenario.
- Compliance with the objectives in previous years does not ensure compliance in 2025 due to the influence of the variability of hydropower and wind in the electricity generation mix.
- The targets have not yet been validated by SBTI as the company has been waiting for the preparation of a sector-specific protocol by this institution since 2017⁽³⁾.
- Although it is a requirement of SBTI to set them in this way, meeting the targets in 2025 does not ensure an overall reduction in the period, so long-term targets were also set, as described below.

Targets 2030. Average values for the period 2013-2030

In 2015 Naturgy set a long-term target expressed as an 18% reduction in average Scope 1 and 2 GHG emissions in the period 2013-2030 compared to the base year 2012. This target was also transferred to the intensity of CO₂ in electricity generation (tCO₂/GWh), as this activity is responsible for over 90% of the group's direct emissions.

This target has been set in the form of average values for two reasons:

- If the average emissions target is met a minimum reduction in the period of 92.9 MtCO₂eq is ensured (26.12-20.96 MtCO₂eq/year × 18 years = 92.9 MtCO₂eq). This would not occur with an annual target, as it could be achieved in the last year, but with a net increase in emissions in the intermediate years.
- To avoid the uncertainty that the variability of hydropower and wind and their influence on electricity generation has when a target is set in a given year.

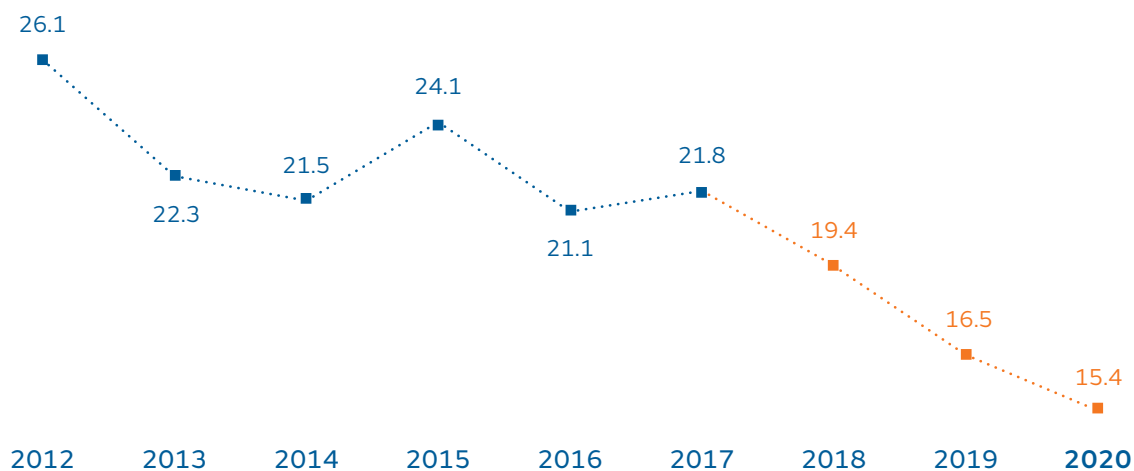
⁽³⁾ Although over 90% of direct GHG emissions correspond to electricity generation, SBTI includes Naturgy in the gas sector by the weight represented by gas in the net turnover.

Absolute emissions target

	Emissions	Type	Approval year	Base year	Target date	Target	Base year value (MtCO ₂ eq)	Target Value (MtCO ₂ eq)	Value 2020 (MtCO ₂ eq)	Tracking
Strategic Plan 2022	S1 + S2	Annual	2019	2017	2022	↓21%	21.85	17.26	15.46	139% ^(*)
2025 SBTi	S1 + S2	Annual	2016	2012	2025	↓26%	26.12	19.38	15.46	158% ^(*)
Average 2030	S1 + S2	Average for the period	2015	2012	2013 2030	↓18%	26.12	21.48	20.28	126% ^(*)

* On track. The compliance percentage is above the set target and indicates the good evolution of the target, although it must be clarified that compliance with the targets in previous years does not ensure compliance on the target date.

■ GHG emissions Scopes 1 and 2 (MtCO₂eq S1+S2)



■ Naturgy Strategic Plan 2018-2022.

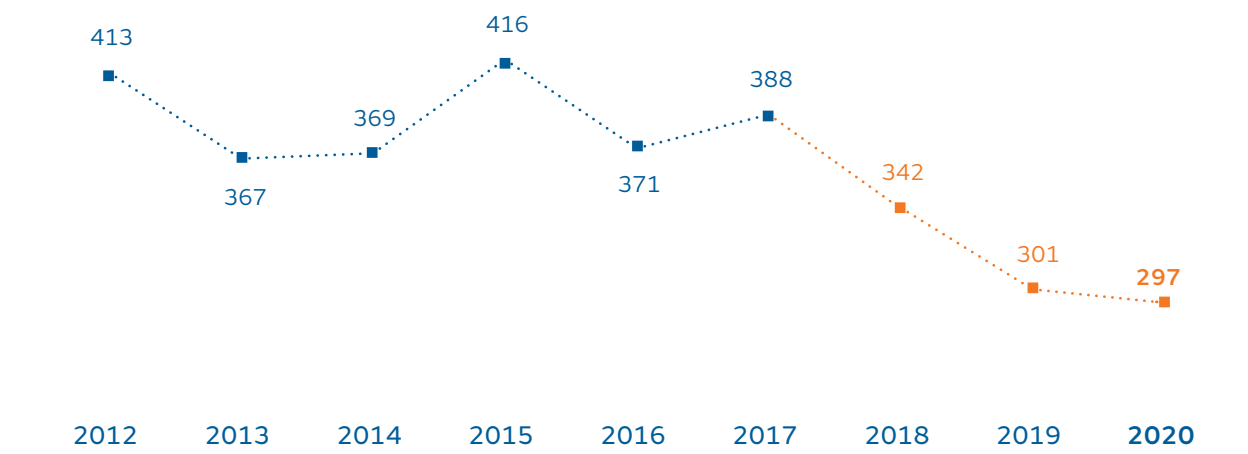
Relative emissions target

	Emissions	Type	Approval year	Base year	Target date	Target	Base year value (tCO ₂ /GWhe)	Target value (tCO ₂ /GWhe)	Value 2020 (tCO ₂ /GWhe)	Tracking
Strategic Plan 2022	tCO ₂ /GWhe	Annual	2019	2017	2022	↓22%	388	304	297	108% ^(*)
2025 SBTi	tCO ₂ /GWhe	Annual	2016	2012	2025	↓33%	413	278	297	86% ^(**)
Average 2030	tCO ₂ /GWhe	Average for the period	2015	2012	2013 2030	↓18%	339	339	356	77% ^(**)

^{*}On track. The compliance percentage is above the set target and indicates the good evolution of the target, although it must be clarified that compliance with the targets in previous years does not ensure compliance on the target date.

^{**}On track.

■ Carbon intensity Electricity generation (tCO₂/GWh)



■ Naturgy Strategic Plan 2018-2022.

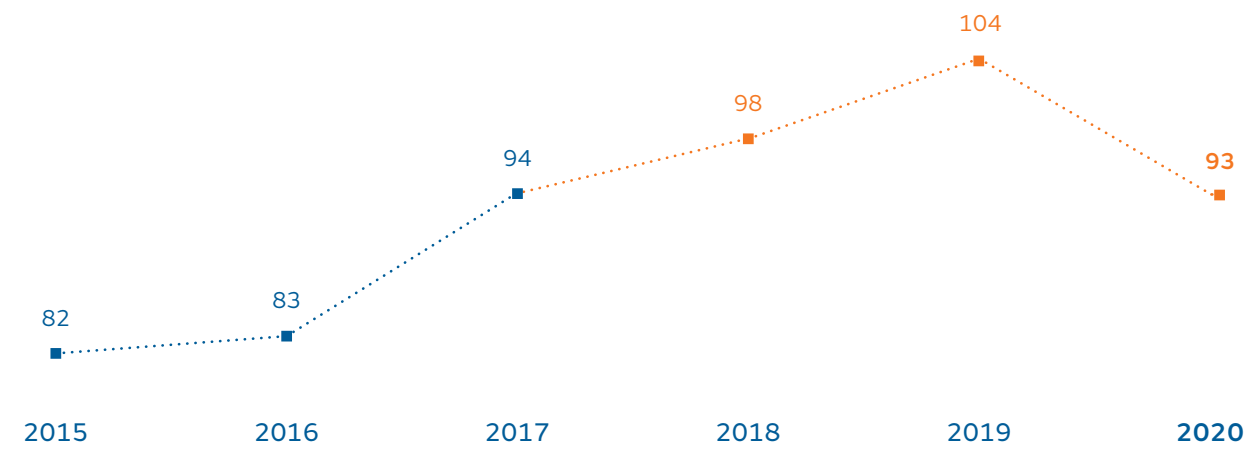
Climate balance sheet target

In 2015 Naturgy set a “Climate Impact Balance Sheet” target for 2050. The climate balance sheet sets out the relationship between our emissions (direct and indirect) and the emissions prevented by our assets, products and services, for example by displacing high-emission fossil fuels such as coal and oil derivatives (see table of emissions prevented).

This balance sheet, while subject to the variability inherent in the business and the environment in which we operate, marks a long-term trend that shows whether we are aligned with the global objective of climate neutrality introduced in the Paris Agreement.

	Emissions prevented vs. footprint emissions	Type	Approval year	Base year	Target date	Target	Value Base year	Target value	Value 2020
2050	tCO ₂ /GWhe	Annual	2015	2015	2050	100%	68%	100%	93%

■ Climate balance (%)

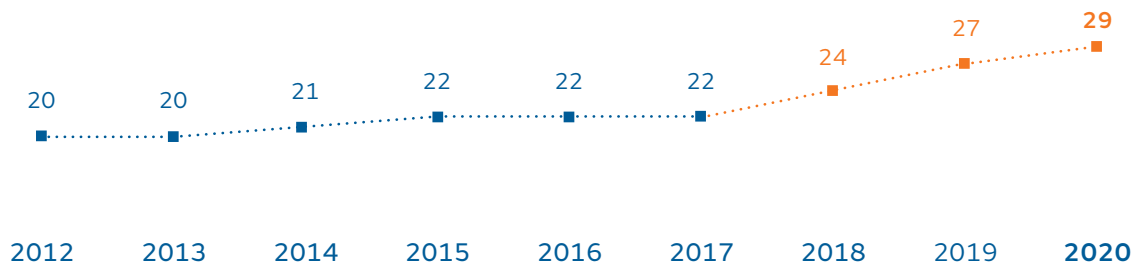


■ Naturgy Strategic Plan 2018-2022.

Renewable energy target

To reach a percentage of renewable installed capacity in the generation mix greater than 34% by 2022.

■ Renewable Power (%)



■ Naturgy Strategic Plan 2018-2022.

6. Inventory

The data of the GHG emissions Scopes 1, 2 and 3 derived from all of Naturgy's activities and businesses are listed below (tCO₂eq):

	2020	2019	2018
Scope 1	14,301,874	15,415,253	18,305,632
Scope 2	1,153,608	1,098,662	1,093,343
Market	-	-	-
Location	1,153,608	1,098.66	1,093.34
Scope 3	123,217,903	129,433,473	131,390,996
Goods and services purchased	-	-	-
Capital goods	-	-	-
Activities associated with upstream fuels and energy	30,638,299	28,390,264	29,786,118
Coal	107,120	67,446	373,124
Natural gas	20,137,098	16,583,367	17,488,011
Oil	185,822	392,403	435,839
Electricity	10,208,259	11,347,048	11,489,144
Transport and distribution of goods	-	-	-
Waste produced in the operation	-	-	-

Continues >

	2020	2019	2018
Business trips	621	3,108	1,568
Mobilisation of employees	8,286	9,314	9,985
Upstream leased goods	-	-	-
Downstream transport and distribution	-	-	-
Procedure for products sold	-	-	-
Use of products sold	92,462,851	100,959,590	100,756,160
Natural gas	92,462,851	100,959,590	100,756,160
Coal	-	-	-
End-of-life processing of products sold	-	-	-
Downstream leased goods	-	-	-
Franchises	-	-	-
Investments	107,846	71,197	837,165
Total	138,673,385	145,947,388	150,789,971

Note:

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

Inventory of GHG emissions Scope 1 by gas type and process (tCO₂eq)

	Electricity generation	Gas distribution	Electricity distribution	Gas infrastructures	Commercialisation	Corporate	Total
CO ₂	12,481,522	8,570	229,194	717,252	29,730	8,873	13,475,140
CH ₄	5,822	774,663	116	4,304	66	75	785,046
N ₂ O	9,660	5	151	3,383	16	115	13,331
SF ₆	914	-	26,288	-	6	-	27,208
HFC	713	-	-	-	-	437	1,150
PFC							
Total group	12,498,631	783,237	255,749	724,938	29,817	9,501	14,301,874
Net turnover (€M)							15,345
Ratio (tCO ₂ eq/€M)							932

Inventory of GHG emissions Scopes 1, 2 and 3 (tCO₂eq)

Country	Scope 1	Scope 2	Scope 3
Spain	6,866,646	187,184	36,700,466
Mexico	6,238,979	855	3,783,773
Chile	332,891	709,914	11,058,192
Dominican Republic	328,214	-	354,978
Argentina	311,767	105,076	17,896,847
Morocco	115,233	1,169	727,715
Brazil	102,141	724	15,481,422
Panama	5,979	148,686	885,507
Costa Rica	14	-	6
Australia	10	-	4
Rest	-	-	36,212,241
Total	14,301,874	1,153,608	123,101,150^(*)

(*) Scope 3 in the table above refers to energy emissions (excluding: business travel, mobilisation of workers and investments).

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

	Scope 1	Scope 2	Scope 3
Generation Spain	6,133,425	-	1,000,261
International generation (GPG)	6,365,206	-	828,109
Supply, LNG and Commercialisation	637,980	-	62,140,111
Gas distribution Spain	69,763	-	9,441,904
Electricity distribution Spain	19,745	187,172	2,081,574
EMPL&Up/mid	116,776	1,082	727,894
Gas distribution Argentina	311,119	1,686	17,227,161
Electricity distribution Argentina	23	102,758	669,495
Gas distribution Brazil	101,286	429	14,845,273
Gas distribution Chile	100,303	1,064	3,546,998
Electricity distribution Chile	230,510	708,547	6,614,242
Gas distribution Mexico	200,766	184	3,089,655
Electricity distribution Panama	5,472	148,686	885,294
Corporate	9,501	1,999	3,179
Total	14,301,874	1,153,608	123,101,150^(*)

(*) Scope 3 in the table above refers to energy emissions (excluding: business travel, mobilisation of workers and investments).



7. Climate balance sheet 2020

The climate balance sheet sets out the relationship between our emissions (direct and indirect) and the emissions prevented by our assets, products and services. This balance sheet, while subject to the variability inherent in the business and the environment in which we operate, marks a long-term trend that shows whether we are aligned with the global objective of climate neutrality introduced in the Paris Agreement.

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

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

Emissions prevented	Emissions prevented 2020 (tCO ₂ eq)	Energy savings 2020 (GWh)	Emissions prevented 2019 (tCO ₂ eq)	Energy savings 2019 (GWh)
Natural gas: reduction of CO₂ emissions by displacing coal and oil derivatives, with higher emissions	120,304,619	161,637	139,922,516	195,207
Electricity production	76,787,895	133,522	95,991,693	166,697
Industry	22,497,930	10,353	22,414,029	10,198
Residential/commercial	10,906,893	11,461	11,622,165	12,183
Transport	2,801,792	2,807	2,811,566	2,817
Cogeneration	7,310,108	3,493	7,083,063	3,312
Renewable energies: displacement of fossil fuel generation	5,001,239	19,593	6,252,903	16,917
Wind farms	2,494,745	9,723	2,607,393	7,213
Hydroelectric production	2,179,056	8,616	3,280,482	8,594
Photovoltaic production	327,438	1,253	365,028	1,110
Energy savings and efficiency in own and customer's facilities	1,058,308	2,198	1,190,936	2,942

Continues >

Emissions prevented	Emissions prevented 2020 (tCO ₂ eq)	Energy savings 2020 (GWh)	Emissions prevented 2019 (tCO ₂ eq)	Energy savings 2019 (GWh)
Own facilities: Energy Efficiency Operations Plan	-	-		
Renewal of gas transmission and distribution networks	746,958	545	742,898	553
Actions in electricity distribution	1,109	4	20,191	146
CCGTs	47,361	242	85,352	428
Coal-fired power stations	7,952	24	11,790	35
Fuel oil-fired power stations	12,680	46	26,894	105
Customer facilities				
Energy services	242,249	1,336	303,811	1,675
Other				
Nuclear production	2,309,669	-4,574	4,047,879	-3,603
Total	128,673,836	178,854	151,414,234	211,463

Direct and indirect emissions (tCO ₂ eq)	138,673,385
Prevented emissions (tCO ₂ eq)	128,673,836
Balance sheet 2020	93%

⁽¹⁾ Natural gas is the best fossil fuel to replace other fossil fuels.

⁽²⁾ Generation of renewables to replace combustion of fossil fuels.

⁽³⁾ Energy saving and efficiency actions at our facilities or those of the end customer.

Note:

This year the methodology has been adjusted to include the reductions prevented in Spain and Mexico by the electricity generation in combined-cycle plants. Previous years have been recalculated in the same way. This modification allows us to calculate the emissions prevented from our products and services in a more realistic manner.

Naturgy's Emissions Offsetting Plan: Compensa2 Initiative

Activities offset in 2020 (tCO₂ eq)

Scope 1 emissions from fuel use in workplaces (fixed sources and fleet)	9,501
Scope 2 emissions from electricity consumption in workplaces	1,992
Scope 3 emissions from business trips (air and train)	621
Total Compensa2	12,114

In 2020, Naturgy also offset 12,114 tCO₂eq corresponding to the emissions from its buildings, travel and fleet and 13,783 tCO₂eq for its customers with the Neutral Gas product.

8. Annexes

Assessment and reduction of uncertainty

The uncertainty associated with reporting Scope 1 emissions for 2020 is 5.63%.

For facilities under the EU Emissions Trading Scheme, in accordance with Decision 2007/589/EC of 18 July, uncertainties regarding GHG emission values will be lower than those corresponding to the approach levels approved by the competent authority. For all other emission sources, the uncertainty associated with the calculation of GHG emissions is a combination of the uncertainties associated with the activity data and emission factors, using the references established in 2.38. 2006 IPCC GHG, Vol.2, table 2.12.

To minimise the uncertainty associated with the activity data, all emission sources have environmental and quality management systems that conform to ISO 14001:2015 and ISO 9001:2015 standards. In order to minimise the uncertainty associated with the emission factors, official sources are always used, as are, by default, the core values recognised in the 2006 IPCC Guidelines for GHG Inventories.

Methodology

To quantify Naturgy's greenhouse gas emissions, an application and calculation methodology has been developed based on the following standards and methodologies:

- Scopes 1, 2 and 3 emissions are included according to "The Greenhouse Gas Protocol. A Corporate accounting and reporting standard".
- Scope 3 report in accordance with Corporate Value Chain (Scope 3).
- It includes the emissions of the six GHG set out in IPCC in accordance with the 2006 IPCC Guidelines for national GHG inventories (hereinafter 2006 IPCC GHG).
- Standard UNE-ISO 14064-1. Greenhouse gases. Part 1: Specification with guidance, at organisation level, for the quantification and reporting of greenhouse gas emissions and removals.
- Standard UNE-ISO 14064-2. Greenhouse gases. Part 2: Specification with guidance, at project level, for the quantification, monitoring and reporting of the reduction of emissions or increase in removal of greenhouse gases.
- Standard UNE-ISO 14064-3. Greenhouse gases. Part 3: Specification with guidance for the validation of greenhouse gas statements.
- Definition of the life cycle in accordance with the UNE- EN-ISO 14040 and ENE-EN-ISO 14044 standards for life cycle analysis.
- Use of specific emission factors in accordance with the 2006 IPCC guidelines for national GHG inventories (hereinafter 2006 IPCC GHG) and use of other verifiable documentary and bibliographic sources.

Operational limits

Naturgy's Carbon Footprint inventory includes GHG emissions from the following group activities:

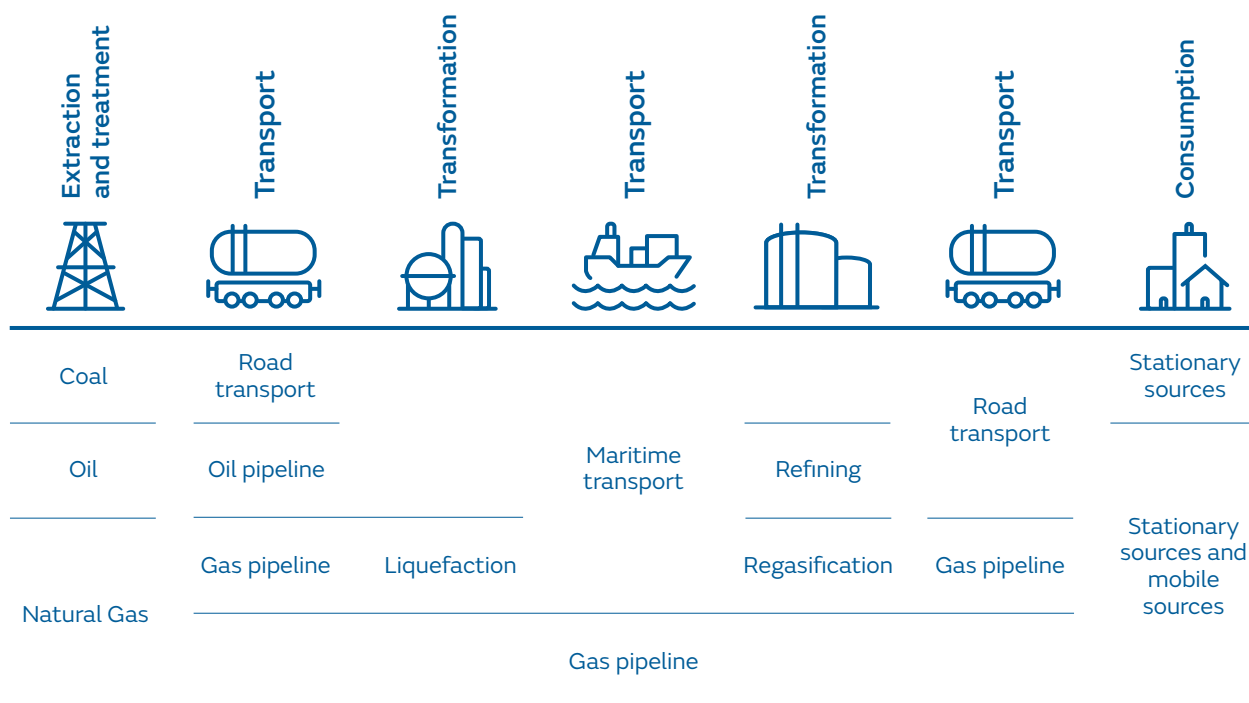
- Extraction, road transport, maritime transport, distribution and commercialisation of natural gas.
- Thermal power stations from coal and fuel oil, combined-cycle power stations, cogeneration, generation at wind farms, photovoltaic power stations and hydroelectric power stations.
- Distribution of electrical power.
- Offices, fleets and travel.

Within the aforementioned activities, different calculation units corresponding to each of the facilities comprising those activities have been defined. These calculation units or facilities are treated according to the global consolidation criteria, in accordance with the shareholding percentages.

Life cycles of fuels used

Energy (fuels, electricity) is consumed throughout the various processes, producing emissions throughout its life cycle. A diagram with the life cycles of the main fuels used is included below.

The fuels used in both fixed sources (fuels from thermal power stations, offices, gas transport and distribution facilities, etc.) and in mobile sources have been considered.



Electrical energy

Emissions derived from electrical energy have only been considered when it is used in primary energy terms and is not generated by any of the group's calculation units:

- Electricity consumption purchased from external suppliers.
- Losses arising from the transport and distribution of energy distributed and not generated by the company in each country.
- Emissions from the life cycle of the fuels used in the generation mix of each country.

Geographical limits

All the countries in which activities are carried out, as well as the countries from which the fuels originate, have been considered.

For the annual preparation of the inventory, a series of prior studies are carried out to update the initial data, such as the review of gas, coal and crude oil supply routes (there are more than 500 routes connecting 165 extraction points in 30 destination countries).

Three types of data are updated each year:

- Characteristics of the extraction points (specific factors depending on the country, technology, type of well or mine, etc.).
- Definition of the routes themselves (distances from each country of passage and specific factors).
- Fuel balances in destination countries.

Types of emissions

Scope 1

Direct GHG emissions, meaning those from sources controlled by the company itself.

Scope 2

Indirect emissions due to the generation of electricity that is acquired by the company for its own consumption but is not generated by the group.

Scope 3

Indirect emissions, not included in Scope 2, derived from the value chain of activities, including upstream and downstream emissions, over which the group has no direct influence or control. Within the categories defined by the GHG Protocol, those with a weight of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%. The categories reported are:

- Fuel life cycles: Emissions derived from the life cycles of fuels. This category includes the following subcategories:
 - Emissions from coal extraction, treatment and transport.
 - Emissions derived from the extraction, treatment (liquefaction and regasification) and transport (by gas pipeline and/or methane tanker not owned by the company) of natural gas.
 - Emissions derived from the extraction, treatment (refining) and transport (by oil pipeline and/or oil tanker) of petroleum products.
 - Emissions produced in the life cycles of the fuels used for electricity generation of the energy mix of each country.
 - Emissions due to electricity losses in the transmission and distribution of electricity consumed but not generated.
 - Emissions of energy that has been consumed by the group but not generated and/or distributed.
- Business trips: these are the emissions derived from the movement of employees by plane, train or any other means of transport not belonging to the fleet of vehicles owned by the group. It is divided into two subcategories:
 - Trips made by company employees by train.
 - Trips made by company employees by plane.
- Employees commutes: emissions derived from employees commuting from their respective homes to the workplace.
- End use of products sold: emissions derived from the combustion of products, which correspond to those derived from the combustion of natural gas sold by the group to the customer, discounting the gas consumed within the organisation.
- Investments: Includes emissions derived from the investment in Unión Fenosa Gas.

Organisational limits

The GHG emissions inventory in the Carbon Footprint Report includes all businesses and activities under financial consolidation criteria, according to the shareholding percentages.

Emission factors used

Unit	Unit	Value	Source
LCV gn	MJ/kg	48.20	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
HCV gn	MJ/kg	53,496	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
LCV petrol	MJ/kg	44.3	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
LCV diesel/gas oil A & C Spain	MJ/kg	43	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
LCV ethanol	MJ/kg	27	Table 1.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
LCV biodiesel	MJ/kg	27	Table 1.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
LCV fuel oil	MJ/kg	40.4	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
Density gn	kg/m ³	0.8076	Naturgy internal data
Density petrol	kg/l	0.7475	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
Density diesel/gas oil A	kg/l	0.8325	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
Density diesel/gas oil C	kg/l	0.9	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
Density ethanol	kg/l	0.789	Naturgy internal data
Density biodiesel	kg/l	0.845	Royal Decree 61/2006
Density methane	kg/m ³	0.7175	Naturgy internal data
Density propane	kg/l	0.5185	CEPSA product sheet
LCV propane	MJ/kg	46.2	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
HCV propane	MJ/kg	49.98	CEPSA product sheet
EF CO ₂ petrol	kg CO ₂ /GJ	69.30	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
EF CH ₄ petrol	kg CH ₄ /GJ	0.025	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O petrol	kg N ₂ O/GJ	0.008	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CO ₂ diesel/gas oil A	kg CO ₂ /GJ	74.10	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
EF CO ₂ diesel/gas oil C	kg CO ₂ /GJ	73.00	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
EF CH ₄ diesel/gas oil fixed sources ("fs")	kg CH ₄ /GJ	0.01	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O diesel/gas oil fs	kg N ₂ O/GJ	0.0006	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories

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Unit	Unit	Value	Source
EF CO ₂ MDO carriers	tCO ₂ /tMDO	3.206	4th IMO GHG survey (July 2020); based on Resolution MEPC.308(73). (adopted on 26 October 2018) 2018 GUIDELINES ON THE METHOD OF CALCULATION OF THE ATTAINED ENERGY EFFICIENCY DESIGN INDEX (EEDI) FOR NEW SHIPS
EF CH ₄ diesel/gas oil mobile sources ("ms" hereinafter)	kg CH ₄ /GJ	0.007	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O diesel/gas oil ms	kg N ₂ O/GJ	0.002	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CH ₄ diesel/gas oil power generation	kg CH ₄ /GJ	0.003	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O diesel/gas oil electric generation	kg N ₂ O/GJ	0.0006	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CO ₂ HFO carriers	tCO ₂ /tHFO	3.1144	4th IMO GHG survey (July 2020); based on Resolution MEPC.308(73). (adopted on 26 October 2018) 2018 GUIDELINES ON THE METHOD OF CALCULATION OF THE ATTAINED ENERGY EFFICIENCY DESIGN INDEX (EEDI) FOR NEW SHIPS
EF CH ₄ fuel oil ms	kg CH ₄ /GJ	0.007	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O fuel oil ms	kg N ₂ O/GJ	0.002	Table 3.5.3. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CH ₄ fuel oil electricity generation	kg CH ₄ /GJ	0.003	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O fuel oil electricity generation	kg N ₂ O/GJ	0.0006	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CH ₄ domestic coal	kg CH ₄ /GJ	0.0006	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities
EF N ₂ O domestic coal	kg N ₂ O/GJ	0.0008	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities
EF CH ₄ imported coal	kg CH ₄ /GJ	0.0006	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities
EF N ₂ O imported coal	kg N ₂ O/GJ	0.0008	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities
EF CH ₄ coke	kg CH ₄ /GJ	0.0003	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities
EF N ₂ O coke	kg N ₂ O/GJ	0.0025	Table. 1.4.2. (01.01.01) National Atmospheric Emission Inventories 1990-2012. Volume 2: Analysis by SNAP Activities
EF CO ₂ natural gas	kg CO ₂ /GJ	55.98	OECC Carbon Footprint Calculation Guide v.15 (June 2020)
EF CH ₄ natural gas fs	kg CH ₄ /GJ	0.005	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF N ₂ O natural gas fs and electricity generation	kg N ₂ O/GJ	0.0001	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CH ₄ natural gas ms	kg CH ₄ /GJ	0.092	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories

Continues >

Unit	Unit	Value	Source
EF N ₂ O natural gas ms	kg N ₂ O/GJ	0.003	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CH ₄ natural gas electricity generation	kg CH ₄ /GJ	0.001	Table 2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF CO ₂ LNG carriers	tCO ₂ /tGNL	2.75	4th IMO GHG survey (July 2020): based on Resolution MEPC.308(73). (adopted on 26 October 2018) 2018 GUIDELINES ON THE METHOD OF CALCULATION OF THE ATTAINED ENERGY EFFICIENCY DESIGN INDEX (EEDI) FOR NEW SHIPS
EF CH ₄ natural gas carriers	kg CH ₄ /GJ	0.004	Table 2.7. 2006 IPCC Guidelines for National Greenhouse Gas Inventories. By analogy with the type of turbine. Gas turbines >3MW
EF N ₂ O natural gas carriers	kg N ₂ O/GJ	0.001	Table 2.7. 2006 IPCC Guidelines for National Greenhouse Gas Inventories. By analogy with the type of turbine. Gas turbines >3MW
EF CO ₂ propane	kgCO ₂ /GJ	63.6	OECC Carbon Footprint Calculation Guide
EF CH ₄ propane ms	kgCH ₄ /GJ	0.062	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories LPG
EF N ₂ O propane ms	kgCO ₂ /GJ	0.0002	Table 3.2.2. 2006 IPCC Guidelines for National Greenhouse Gas Inventories LPG
EF CH ₄ propane fs	kgCO ₂ /GJ	0.005	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
EF NO ₂ propane fs	kgCO ₂ /GJ	0.0001	Table 2.4. 2006 IPCC Guidelines for National Greenhouse Gas Inventories
GWP Methane	kgCO ₂ /kgCH ₄	25	IPCC 4th Assessment Report
GWP SF ₆	kgCO ₂ /tSF ₆	22800000	IPCC 4th Assessment Report
GWP N ₂ O	kgCO ₂ /tN ₂ O	298000	IPCC 4th Assessment Report
GWP HFC	kgCO ₂ /tHFC	14800000	IPCC 4th Assessment Report
GWP PFC	kgCO ₂ /kg PFC	12200000	IPCC 4th Assessment Report





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in meeting the United
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Sustainability Report and Non-Financial
Information Statement
2020

16

Report on the Green Bond

16. Report on the Green Bond

Indicators of use of proceeds

As at 31 December 2020, the total number of projects allocated to Green Bonds issued on 15 November 2017 was 35, representing a total investment of Euros 800 million. These allocated funds represent 100% of the total amount obtained through the issuance of Green Bonds.

Technology	Location	Project name	Year launched	Status	Green Bond Financing 2020 (€M)	% Financed by Green Bonds	Avoided Emissions (tCO ₂)
Photovoltaic	Spain	C.F. Carpio de Tajo	2019	Operation	30.06	99%	54,166.01
Photovoltaic	Spain	C.F. La Nava	2019	Operation	30.18	99%	60,771.71
Wind	Spain	P.E. Ampliacion El Hierro	2019	Operation	38.29	96%	82,747.83
Wind	Spain	P.E. Balcón de Balos	2018	Operation	6.21	50%	17,754.97
Wind	Spain	P.E. Barasoain	2019	Operation	43.22	89%	76,907.43
Wind	Spain	P.E. Doramás	2018	Operation	1.88	49%	4,324.69
Wind	Spain	P.E. Fuerteventura II	2018	Operation	2.96	50%	7,509.09
Wind	Spain	P.E. La Haría	2018	Operation	2.00	50%	4,807.67
Wind	Spain	P.E. La Vaquería	2018	Operation	1.96	50%	4,988.76
Wind	Spain	P.E. Merengue	2019	Operation	42.71	99%	98,596.85
Wind	Spain	P.E. Mirabel	2020	Operation	23.80	98%	55,394.54
Wind	Spain	P.E. Monciro	2019-2020	Operation	36.37	96%	89,073.96
Wind	Spain	P.E. Montaña Perros	2018	Operation	1.92	50%	5,286.42
Wind	Spain	P.E. Peñaforcada - Catasol II	2019	Operation	11.01	98%	18,130.04
Wind	Spain	P.E. Piletas I	2020	Operation	10.43	50%	27,360.41
Wind	Spain	P.E. San Blas	2019-2020	Operation	34.15	98%	74,136.86
Wind	Spain	P.E. Teso Pardo	2019	Operation	30.52	98%	65,438.37
Wind	Spain	P.E. Tesorillo	2019	Operation	30.12	98%	52,435.29
Wind	Spain	P.E. Tirapu	2020	Operation	16.65	90%	27,470.24
Wind	Spain	P.E. Triquivijate	2018	Operation	3.46	50%	9,571.24
Wind	Spain	P.E. Vientos del Roque	2018	Operation	3.52	50%	10,755.44
Wind	Spain	P.E. Montejo de Bricia (ampliación)	2019	Operation	6.87	88%	12,696.68

Continues >

Technology	Location	Project name	Year launched	Status	Green Bond Financing 2020 (€M)	% Financed by Green Bonds	Avoided Emissions (tCO ₂)
Wind	Spain	P.E. Fréscano	2019	Operation	21.74	96%	51,932.38
Wind	Spain	P.E. San Agustín	2019	Operation	27.22	95%	71,182.36
Wind	Spain	P.E. Monte Tourado - Eixe	2019	Operation	41.79	98%	91,794.50
Wind	Spain	P.E. Pastoriza - Rodeiro	2019	Operation	32.75	96%	96,719.72
Wind	Spain	P.E. Serra do Punago - Vacariza	2019-2020	Operation	28.70	96%	71,589.12
Photovoltaic	Spain	C.F. Picon I	2019	Operation	33.65	97%	64,368.85
Photovoltaic	Spain	C.F. Picon II	2019	Operation	31.70	97%	64,368.85
Photovoltaic	Spain	C.F. Picon III	2019	Operation	30.46	95%	64,368.85
Wind	Spain	P.E. Torozos A	2019	Operation	36.98	97%	79,507.03
Wind	Spain	P.E. Torozos B	2019	Operation	30.32	96%	68,570.50
Wind	Spain	P.E. Torozos C	2019	Operation	35.71	96%	80,039.56
Wind	Spain	P.E. Mouriños	2019	Operation	10.21	98%	25,416.76
Wind	Spain	Common Infrastructures	2019	Operation	30.48	73%	
					800.00		1,690,183

The Green Bond funds as reported at 31 December 2020 have been allocated in full to investments in eligible assets under the requirements of the Green Bond Framework; one of the projects that was included in the report at 31 December 2019 has been excluded with that amount having been allocated to equally eligible investments under the Green Bond Framework.

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

Environmental benefit indicators

The estimated environmental benefit of the Green Bond is expected to total 1,690,183 tCO₂/year in avoided emissions, based on a total of approximately 920.8 MW of installed capacity financed by the green bond, with associated production of 2,645 GWh/year.

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

Actions in environmental and social matters

In the projects, sustainability has been considered throughout its life cycle, in partnership with the competent administrations, with participation of the different stakeholders. In the design stage, an environmental study has been carried out in all the projects, where information has been gathered about the environment (physical, biological, socio-economic and cultural). This study has served as a baseline to define the most environmentally and socially sustainable project alternatives, identify and assess the associated impacts and define the necessary prevention, mitigation and, if necessary, compensation measures. During the construction phase, a thorough environmental and archaeological follow-up is carried out in order to ensure that the project is executed with the established environmental and social guarantees. During the operation stage, the facilities are covered by Naturgy’s environmental management system, which is certified and externally audited pursuant to the UNE-EN ISO 14001, which ensures control and compliance with environmental requirements, the prevention of environmental accidents and the ongoing improvement in the reduction of our impacts.

The **United Nations methodology ACM0002 for Clean Development Mechanisms** has been used to calculate the avoided emissions in 2020: “Consolidated Methodology for Grid-connected Electricity Generation from Renewable Sources”.

Glossary of indicators

Indicators for use of proceeds

Description of the financed projects	Description of the projects financed with Green Bonds, with details of generation technology, location (country), project name, year launched, completion status (1. Development, 2. Construction, 3. Operation and maintenance) at year-end.
Allocated Green Bond financing: Amount allocated (in euros) per project and in total	Sum attributable to Green Bonds invested in projects that meet the Green Bond eligibility criteria listed in the Naturgy Green Bond Framework (in million euro) at year-end.
% Financed by Green Bonds	Percentage of project investment attributable to Green Bonds at year-end.
Number of projects	Number of projects with financing attributable to funds from Green Bonds at year-end.
Total allocated amount relative to total proceeds (%)	Percentage of the total investment attributable to Green Bonds across all projects relative to the total sum obtained through the issuance of Green Bonds (bond funds) at year-end.
Description of the use of non-invested proceeds	Description of the management of funds obtained through the issuance of Green Bonds that have not been allocated to any project, at year-end, in accordance with the “Naturgy Green Bond Framework”.

Environmental benefit indicators

Greenhouse gas (GHG) avoided emissions	CO ₂ emissions (tonnes of CO ₂ /year) expected to be avoided each year through renewable energy projects (wind and solar), calculated by multiplying expected energy production by a regional average emissions factor (peninsula and Canary Islands). This emissions factor has been calculated using the methodology used by UNFCCC Clean Development Mechanism (CDM) projects, which allow the use of either an average regional emissions factor excluding emissions from low cost/must-run power stations when generation from these stations represents less than 50% of the electricity system total (simple method) or an average emissions factor from the entire regional electricity mix (including emissions from low cost/must-run power stations) when generation from these stations represents more than 50% of the electricity system total (average method). The data used to calculate the applied emissions factor come from publicly available information sources based on official statistics.
Energy capacity	Total power (MW) corresponding to the projects expected to be financed by Green Bonds.
Energy production	Estimated annual electrical power generation (GWh/year) calculated by multiplying the energy capacity by the estimated average number of operating hours per year for each project expected to be financed by Green Bonds.

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