Biodiversity Report

2020 I **22**

Naturgy

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2020 | 22

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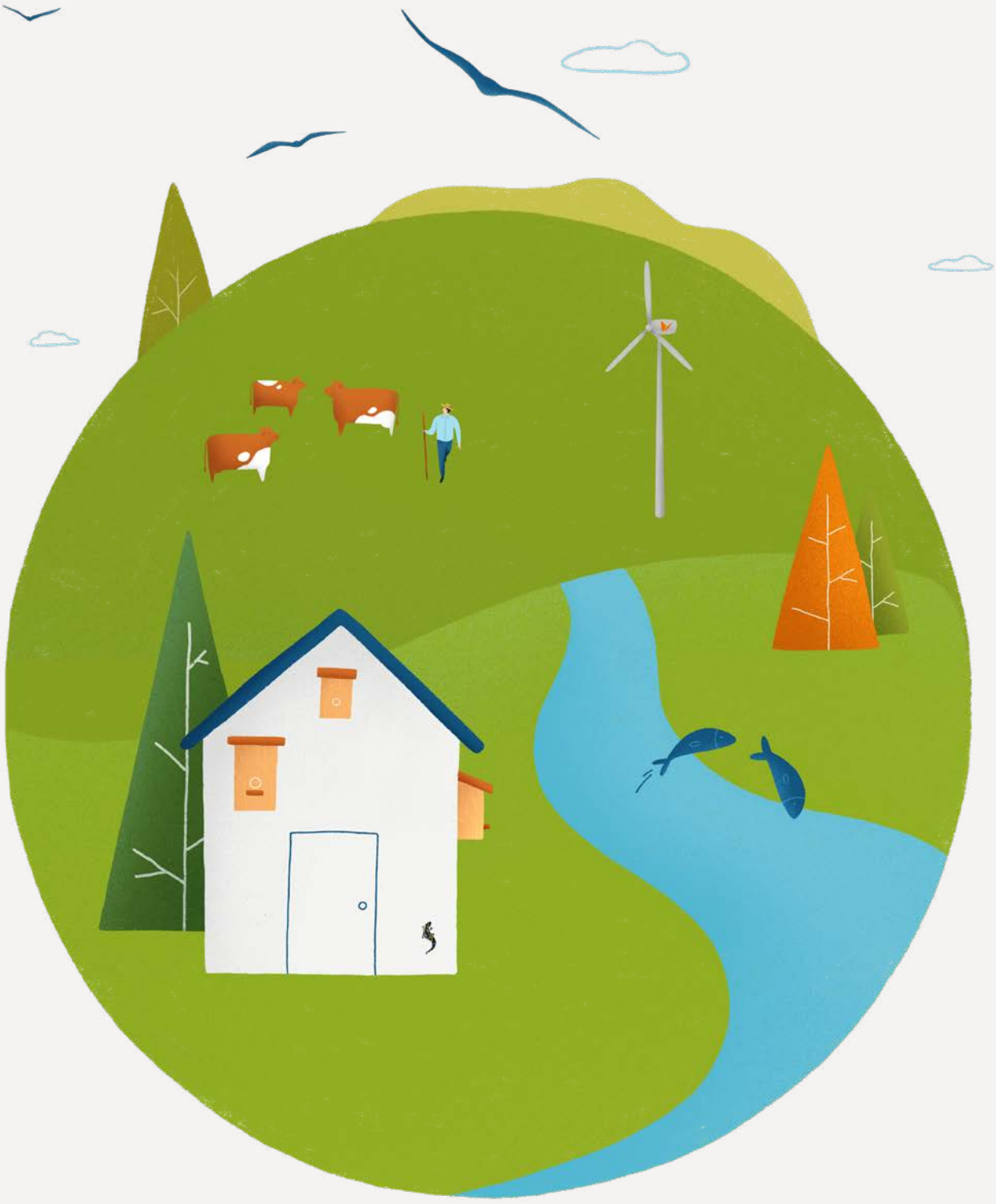


Naturgy

one
Introduction

Naturgy is committed to the conservation of biodiversity, natural capital and cultural heritage in the communities where it operates. The company develops biodiversity initiatives in an integrated manner with the axes of the energy transition towards decarbonisation, climate, nature and people. As these are complementary and mutually influential realities, this approach takes a holistic view and focuses on building natural capital and restoring ecosystems to maximise CO_2 capture and neutralise emissions, ensuring the protection of native flora and fauna and maximising the benefits for local communities.

Naturgy manages biodiversity with a clear preventive approach, considering the protection of nature in the design of new facilities, implementing operational controls throughout the useful life and making financial provisions for the future decommissioning of assets.

To conduct its activities, Naturgy needs a number of services provided by nature, also called ecosystem services. The identification of these dependencies at corporate level is highly important as it enables operations that are vulnerable to changes in the quantity and quality of these services to be identified so that action can be taken to protect and conserve them. This report summarises Naturgy's commitment, strategy and actions to conserve nature, as well as the management of biodiversity-related risks and opportunities, taking as a framework the latest guidelines of the Task Force on Nature-related Financial Disclosures (TNFD) [1].

Specifically, this document sets out the governance model and the commitments that Naturgy has undertaken in terms of nature, the main dependencies and impacts and the risks and opportunities they afford. It also describes the main lines of action for risk mitigation, the results and the main actions carried out in the last three years (2020 to 2022).

Naturgy takes a clear **preventive approach** to biodiversity management, considering the protection of nature throughout the value chain.

(1) The TNFD is a developing initiative that seeks to define a framework for financial reporting on nature-related issues. To date, a number of recommendations have been published to provide an overview of how companies approach nature management, with this report following the guidelines published in beta 4.0.

two

Naturgy and biodiversity

Naturgy operates in over 20 countries, where it supplies gas and electricity to 16 million customers. Its installed capacity is 16.2 GW, 34% of which is renewable energy, and it offers a diversified mix of electricity generation. The company operates in the regulated and deregulated gas and electricity markets, both nationally and internationally, chiefly in the following areas:

- Electricity generation and commercialisation.
- Gas and electricity distribution, with more than 290,000 km of networks.
- Gas infrastructure, procurement and commercialisation.

Geographical presence

USA
Renewable generation projects (8 GW solar and 4.6 GW storage).

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

Dominican Republic
Generation (198 MW, fuel).

Mexico
Gas distribution (15 states and 1.6 million customers) and generation (2,365 MW, combined-cycle and 234 MW, wind).

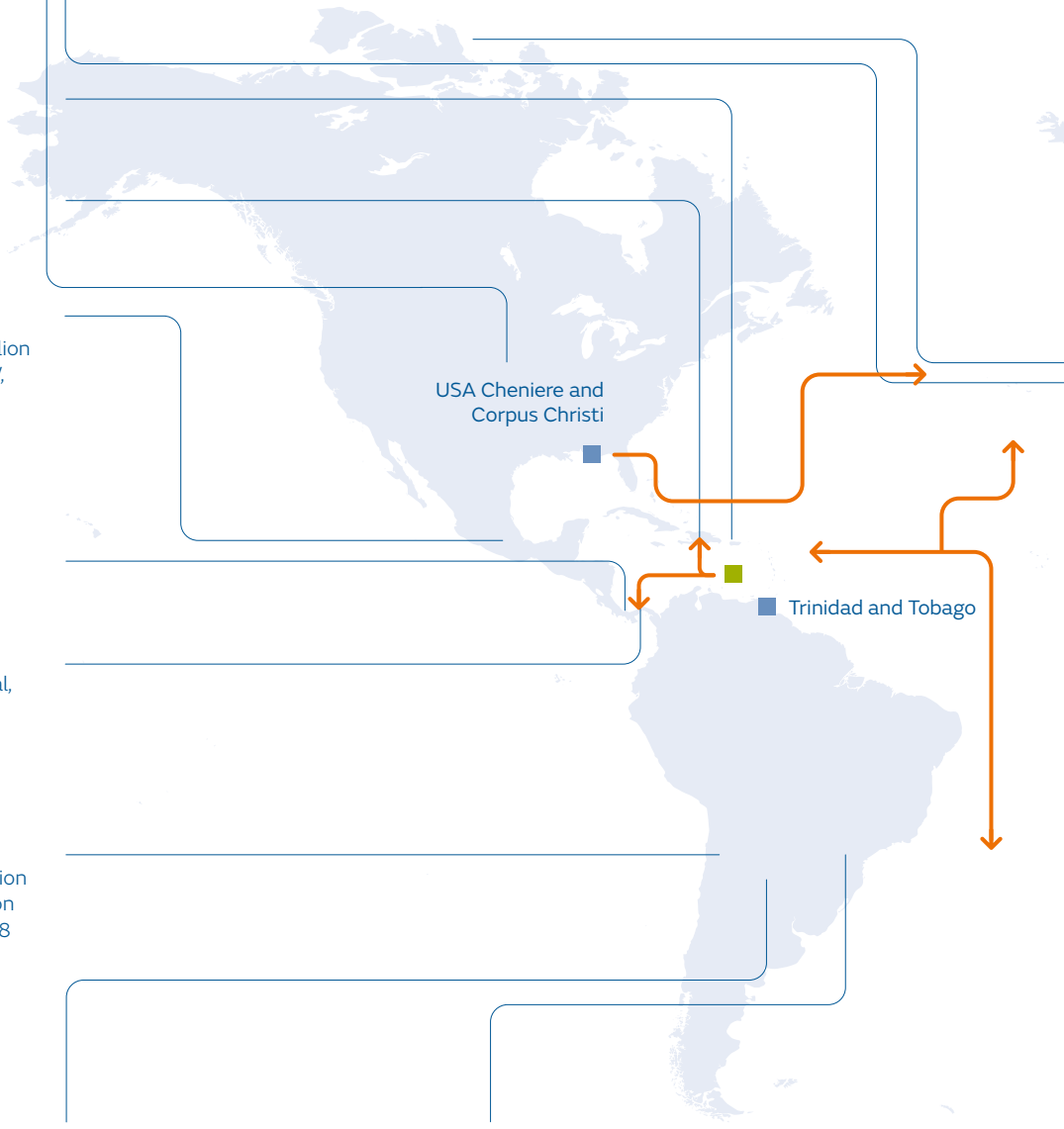
Costa Rica
Generation (101 MW, hydropower).

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

Chile
Gas distribution (4 regions and 0.7 million customers). NG/LNG commercialisation and generation (206 MW, wind and 128 MW, solar).

Portugal
NG/LNG commercialisation and commercialisation of electricity.

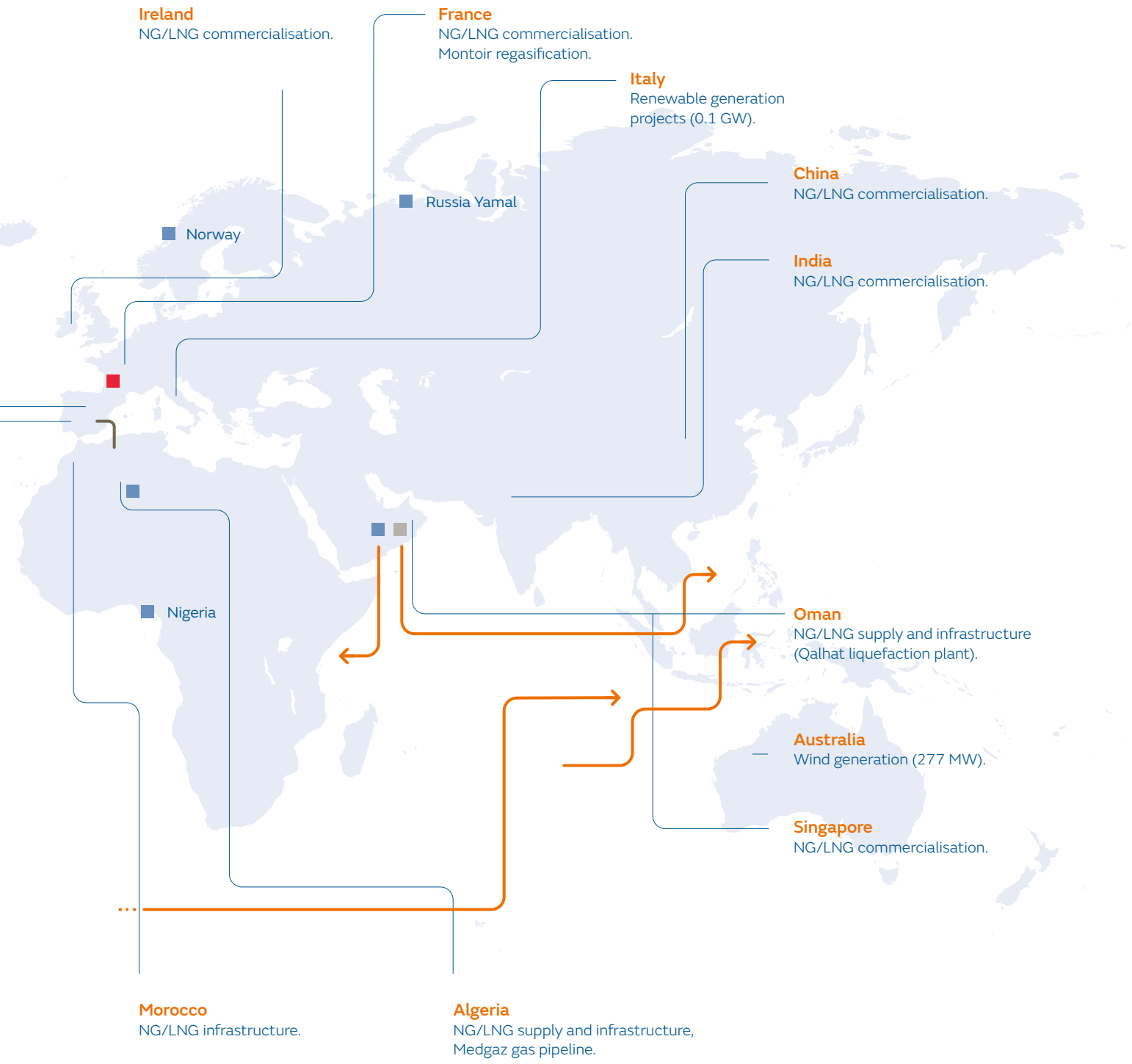
Spain
Exploration, transmission, distribution and commercialisation of gas and electricity. Generation (combined-cycle, nuclear, hydropower, solar, co-generation, mini-hydropower and wind).



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

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

Brazil
Gas distribution (Rio de Janeiro state, São Paulo South and 1.2 million customers). NG/LNG commercialisation and generation (153 MW, solar).



Activity on the NG Infrastructure in Morocco ended in October 2021.

The main aggregates and business model are presented in the **2022 Sustainability Report and Statement of Non-Financial Information**.

Naturgy's 2021-2025 Strategic Plan is based on five pillars: the search for organic growth, the focus on renewable and network activities, the continuous improvement of processes, the full integration of Environmental, Social and Governance (ESG) criteria in strategy and management, and the cultural transformation that makes all of this possible. Accordingly, the Sustainability Plan stemming therefrom reflects Naturgy's commitment to the environment, society and governance (ESG).

Who are we?	**Our business model**	Naturgy Energy Group, S.A. and its subsidiaries (hereinafter Naturgy) is a group dedicated to the generation, distribution and commercialisation of energy and services. Present in over 20 countries, it supplies gas and electricity to 16 million customers. It has an installed capacity of 16.2 GW and offers a diversified mix of electricity generation.
What are we like?	**Our values**	▪ ***Forward Vision:*** innovating for a better future. ▪ ***People-oriented:*** transforming from the most human side. ▪ ***Excellence-driven:*** working with excellence. ▪ ***One Planet:*** for a more sustainable society.
What do we seek to achieve?	**Our purpose**	***Transforming together:*** transforming the world through energy, addressing the challenge of the energy transition and the demands of society and customers. Naturgy wants to do this together with its employees, customers, shareholders and partners.
How are we going to achieve this?	**Our strategy**	▪ **Grow:** pursue organic growth consistent with the energy transition and deploy opportunistic asset rotation to speed up the transformation. ▪ **Focus on:** renewables and network activities in stable regions and regulatory frameworks and reduce volatility in supply commitments. ▪ **To be a 'best-in-class' company:** to carry out continuous improvement processes, increasing the digital footprint and reinventing the relationship with customers. ▪ **Continue to incorporate ESG aspects:** rooted in the essence of the company, aligned with the SDGs and guided by tangible goals to meet commitments. ▪ **Change the culture:** ignite passion in employees through core values and be aligned with different stakeholders.

Making sustainability the backbone of our strategy on our roadmap allows us to reduce our environmental impact, increase the involvement and commitment of all our stakeholders and endorse us as a company committed to the **energy transition**.

In addressing the energy transition, it is essential to understand the effects of climate change on biodiversity loss and the importance of positive natural capital creation in reducing greenhouse gas emissions. In addition, solutions must be people-centred to achieve a just transition. Therefore, Naturgy's contribution to the energy transition takes an approach where three complementary and mutually influential realities converge: **Climate, Nature and People.**

In this context, the Global Environmental Policy, which applies to all countries and businesses, defines environmental action as the fight against climate change, eco-efficiency, the rational use of natural and energy resources, the minimisation of environmental impact, the promotion of innovation and the use of the best available technologies and processes. Naturgy's voluntary commitment is to be a key player in the energy transition towards a circular and decarbonised economy model, which, in line with the goals of the Paris Agreement, drives climate action and the protection of biodiversity while at the same time promoting a just and inclusive transition through the creation and improvement of employment opportunities.

Naturgy recognises that the fight against climate change must be combined with the promotion of the restoration of natural capital and biodiversity through initiatives aimed at preventing, reducing and offsetting impacts in order to further the commitment to no net loss of biodiversity and the enhancement of the value of natural environments. The energy transition creates enormous potential for transforming business and is a key tool for reducing resource dependence and accelerating the fight against climate change, thus providing solutions to the current biodiversity crisis. To do this, we must know our dependencies and impacts and integrate nature into the way we carry out and manage our business.

Naturgy's contribution to the energy transition takes an approach where these three complementary and mutually influential realities converge: **Climate, Nature and People.**

three
Biodiversity governance

Governance is key to addressing the risks and opportunities related to biodiversity and natural capital, as highlighted in the recommendations published by the Task Force on Nature-related Financial Disclosures (TNFD).

Environmental policy and management framework

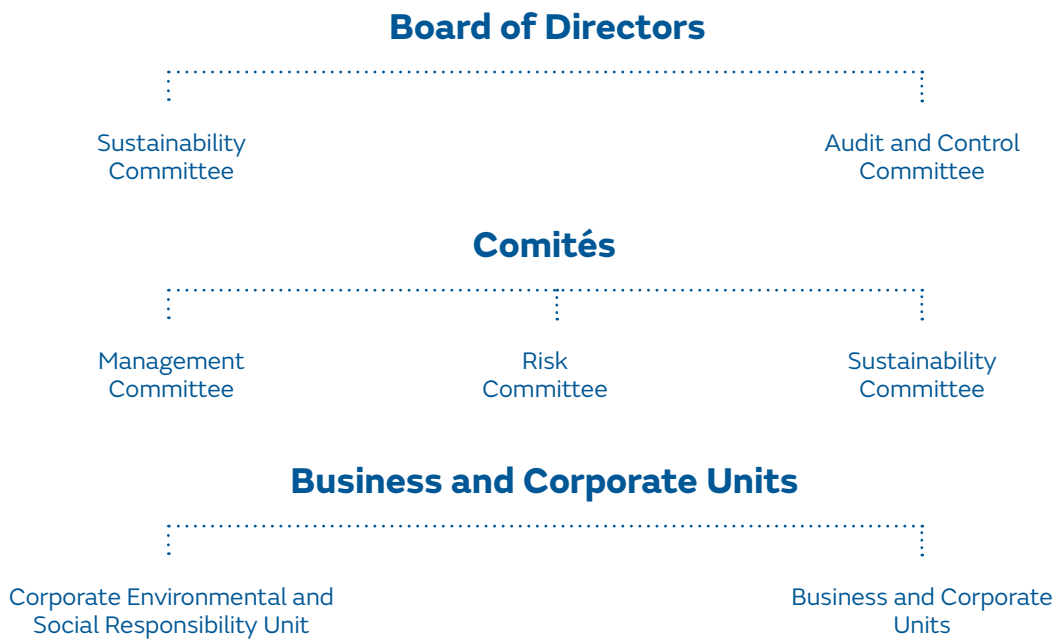
Naturgy is committed, among other things, to the conservation of biodiversity, natural capital and cultural heritage in the communities where it operates. It pays special attention to protected spaces and species, and its principles of action, included in the Global Environmental Policy and applicable to all businesses and geographies, are as follows:

- Respect natural capital, biodiversity and cultural heritage in the environments where the group's activities take place, and identify, assess and monitor biodiversity impacts and dependencies during the life cycle of the facilities.
- Integrate biodiversity into the design and operation of projects to progressively reduce negative environmental impacts, avoiding as far as reasonably possible activities near areas of high value for biodiversity and specially protected areas, implementing a preventive approach based on the mitigation hierarchy (avoid, mitigate, restore and compensate) and promoting the development of nature-based solutions.
- Prevent vegetation disturbance as far as possible, avoiding deforestation in operating environments and encouraging mitigation of significant impacts on forests along the value chain.
- Achieve no net loss of biodiversity and promote the creation of natural capital wherever possible.

Governance bodies

The **Board of Directors** is Naturgy's highest governing body and has appointed a **Sustainability Committee** to oversee the company's performance in terms of environmental, social and corporate governance policies and to monitor the performance of key environmental indicators using the scorecard of high-level indicators, which includes specific biodiversity targets, reflected in the 2021-2025 Sustainability Plan. Moreover, the **Audit and Control Committee** supervises the control and management systems for financial and non-financial risks, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks.

Governance bodies and responsibilities in biodiversity



At the executive level, the **Management Committee** ensures the application and monitoring of business and sustainability policies, strategies, plans and objectives, and proposes measures in the areas of energy transition, climate change and sustainable development. For its part, the **Risk Committee** determines and reviews the target risk profile and monitors its management by the units, including nature-related risks. Finally, the **Sustainability Committee** ensures, through monitoring and action proposals, the performance, implementation and improvement of policies, commitments and the Sustainability Plan, and, more specifically, environmental plans and objectives, including biodiversity.

As far as the corporate and business units are concerned, the**Corporate Environmental and Social Responsibility Unit**, within the General Directorate for Sustainability, establishes environmental policies, indicators and objectives. In coordination with the businesses, it monitors developments, consolidates information and centralises reporting to the management committees and the Board of Directors. In addition, it continuously assesses the main climate and ESG risk factors. For their part, the **Business and Corporate Units** apply general principles and strategies, and develop plans, projects and activities to meet environmental, biodiversity and other objectives set out in the Sustainability Plan.

All the company's operational and geographic areas, businesses and projects are involved in natural capital governance, which is channelled through the Management Committee and the Sustainability Committee.

Transparent reporting and disclosure

The company transparently reports and discloses its actions, performance and commitments in relation to biodiversity and natural capital through this report and, on an annual basis, in its **Sustainability report and Statement on Non-Financial Information.**

In addition, it participates in the leading **sustainability indexes**. The presence of Naturgy on these indices, as well as analysts' and rating agencies' positive assessment, endorses the efforts made by the company in the areas of sustainability and transparent reporting, and is external recognition of its excellent evolution in these fields.

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Biodiversity strategy

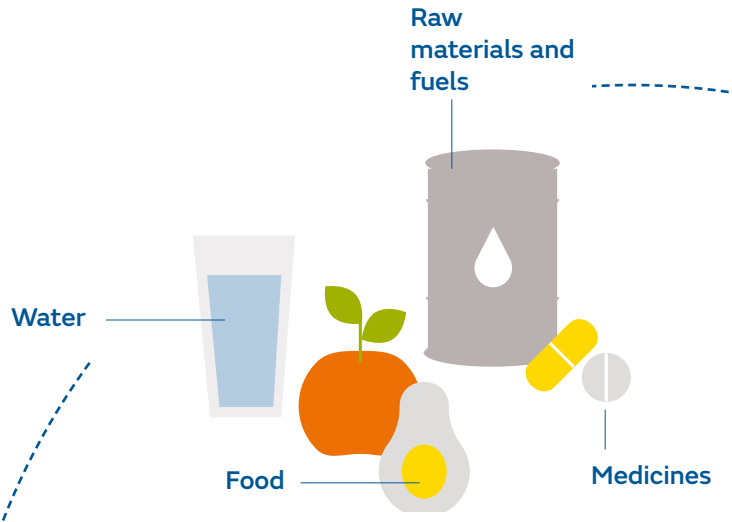
Naturgy's biodiversity strategy is integrated into the business strategy based on the three axes —Climate, Nature and People— and is specifically intended to:

- Reduce greenhouse gas emissions by steering the generation mix and the gas and electricity business towards an increasingly decarbonised model.
- Protect biodiversity in the locations where it operates, create natural capital and restore ecosystems to maximise CO_2 capture and neutralise emissions, ensuring the protection of native flora and fauna and maximising co-benefits for local communities.
- Achieve a just transition, maximising the benefits of the transition to a low-carbon economy and minimising the negative impacts on business, workers and local communities.

To conduct its activities, Naturgy needs a number of services provided by nature, also called **ecosystem services.**

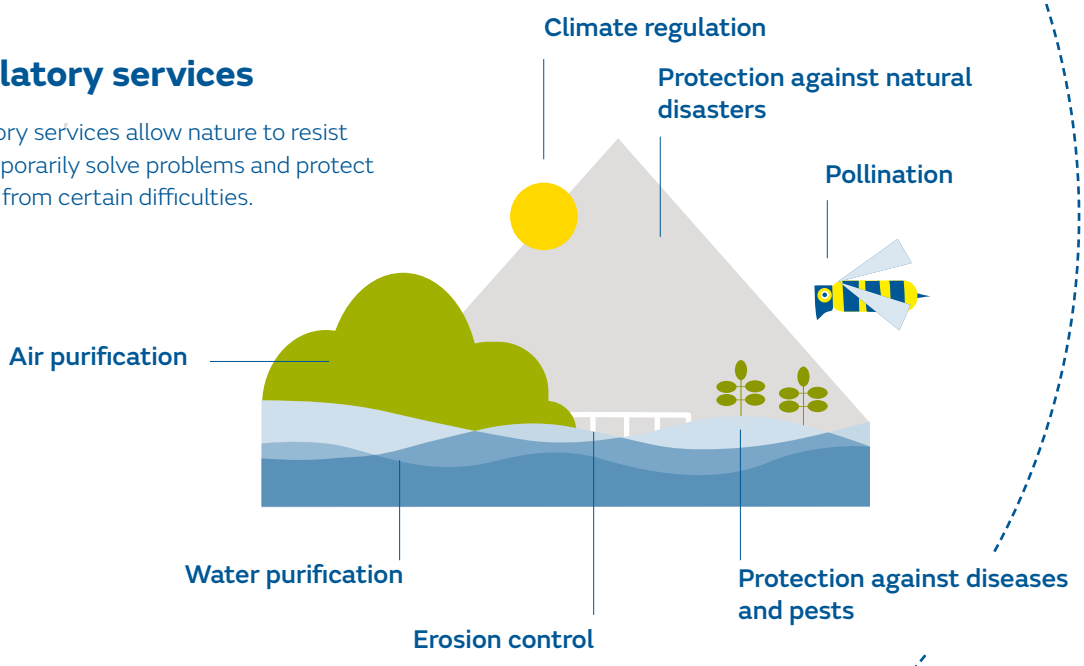
Procurement services

These types of services are provided by nature directly to humans, and are generally vital for survival; they include food and water. They are purchased through trade, i.e. products are bought and sold.



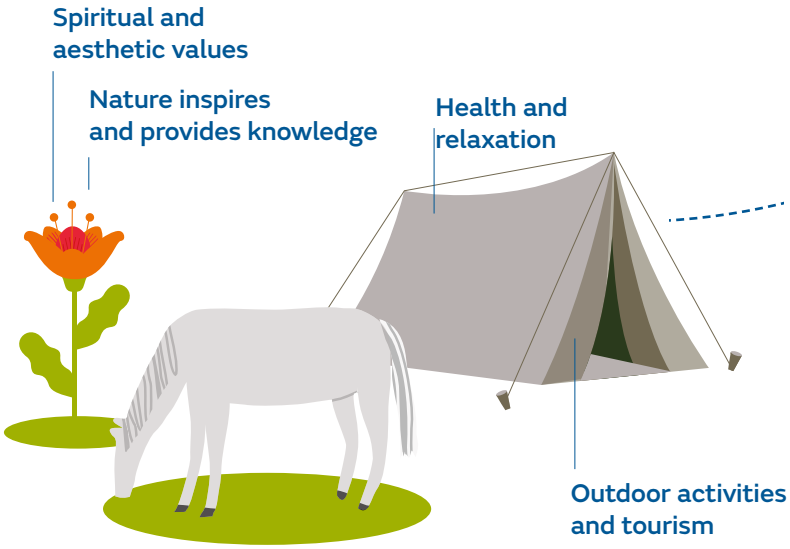
Regulatory services

Regulatory services allow nature to resist and temporarily solve problems and protect humans from certain difficulties.



Cultural services

These services complement culture, as nature and its elements create different lifestyles and also provide well-being.



The identification of dependencies at corporate level is very important as it enables operations that are vulnerable to changes in the quantity and quality of ecosystem services to be identified so that action can be taken to protect and conserve them On the other hand, the company's activities impact the environment, both positively and negatively, and are therefore considered in the identification and management of nature-related risks and opportunities.

At the operational level, Naturgy manages biodiversity with a clear preventive approach, considering the protection of nature in the design of new facilities, implementing operational controls throughout the useful life and making financial provisions for the future decommissioning of assets.

To mitigate impacts on nature, the company has a scorecard that includes ambitious targets for all impact drivers that are material to the activities, in line with the Science-Based Targets Network (SBTN) initiative.

Biodiversity is therefore encompassed in strategic management as presented below.

Commitment and leadership

Goal: move towards no net loss of biodiversity, implementing best practices and promoting the creation of natural capital.

Risks and opportunities

Naturgy assesses and manages impacts, dependencies, risks and opportunities related to nature in all operations and activities.

Preventive approach

In construction, operation and decommissioning, applying the mitigation hierarchy.

Action in nature, GHG reduction, circular economy and biodiversity initiatives.

Transparency and constructive dialogue with stakeholders on nature issues.

Monitoring and follow-up, using specialised tools and the scorecard with objectives and key indicators.

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Risk management

One of the key aspects of Naturgy's risk management is to ensure the resilience and sustainability of the business, which is why **environmental risks are built into this global model.**

The process of identifying, monitoring and assessing Naturgy's risks is governed by the Corporate Risk Map. This is the reflection spearheaded by the **Risk Committee**, which is published quarterly and focuses on characterising and quantifying the most relevant risks, mirroring the company's risk profile. The identification and characterisation of risks takes into account the characteristics of the position at risk, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control. The graphic illustration of these risks through the Risk Map and conclusions are submitted to the supreme control body of the company, the Audit Committee, and approved each year.

The Audit and Control Committee approves the corporate Risk Map and ensures compliance with the Global Risk Control and Management Policy approved by the Board of Directors, which specifically includes nature-related risks.

Biodiversity risk assessment process: dependencies and impacts on nature

Naturgy's management of biodiversity risks and opportunities begins with an assessment of dependencies and impacts on nature. For this purpose, it uses the tool **ENCORE** (Exploring Natural Capital Opportunities, Risks and Exposure), and an evaluation of the dependencies and impacts of each of the company's activities. Based on the data provided by ENCORE, a panel of internal experts has drawn up a materiality matrix specific to the company, integrating historical information on events, environmental impact studies and the results of environmental monitoring of the facilities.

The integration of this information in the risk analysis is important, as baseline and historical studies of the environmental and ecological state of the surroundings of the facilities are available. The following is a summary of the matrix of dependencies and impacts, which is published in full in the **2022 Sustainability Report and Statement of Non-Financial Information**.

Naturgy's management of biodiversity risks and opportunities begins with an **assessment of dependencies and impacts** on nature.

Ecosystem services dependencies	Generation				Production and injection	Distribution	
Businesses	**Wind**	**Solar**	**Hydropower**	**Thermal**	**Biomethane**	**Electricity**	**Natural gas**
Provisioning services							
Non-mineral resources (natural gas)				▲			▲
Renewable resources (wind and sun)	▲	▲					
Groundwater		△	▲	▲			
Surface water		△	▲	▲			
Regulating services							
Maintaining water flow in the hydrological cycle			▲	▲			
Water quality			▲	▲			
Pollination					▲		
Bioremediation			▲	△	▲		
Filtration of pollutants			△	▲			
Air quality				▲			
Climate regulation	▲	▲	▲	△	▲	▲	▲
Flood control and protection	▲	▲	▲	▲	▲	▲	▲
Soil erosion protection and soil stabilisation	▲	▲	▲	▲	▲	▲	▲

Source: ENCORE and own elaboration.

Dependencies ▲ Very high. ▲ High. ▲ Medium. ▲ Low. △ Very low.

Naturgy's main dependencies are linked to the resources used in its activities, for example, fuels such as natural gas or renewables like wind and sun. In addition, hydropower and thermal generation are highly dependent on surface water from rainfall and freshwater flows.

On the other hand, there are ecosystem services that make the normal operation of activities possible and others that mitigate direct impacts or serve as protection, highlighting the climate regulation service and the erosion protection service (provided by vegetation cover) as the most relevant for all the company's businesses.

Impacts	Generation				Production and injection	Distribution	
Businesses	**Wind**	**Solar**	**Hydropower**	**Thermal**	**Biomethane**	**Electricity**	**Natural gas**
Natural environment							
Water use, including collection and consumption, especially of freshwater in water-stressed areas.		☐	■	■			
Land occupation and modification of terrestrial ecosystems, e.g. through vegetation clearance.	■	■			☐	■	■
Effects on freshwater ecosystems (wetlands and rivers, which provide services such as water purification, fish spawning, etc.)	☐	☐	■	■	●		
Effects on marine ecosystems, e.g. due to the presence of infrastructure necessary for the process.				■			
GHG emissions such as CO_2, methane, N_2O, SF_6, etc.				■	●	■	■
Emission of air pollutants, such as NOx, SO_2, particulate matter, etc.				■			
Water pollution due to discharges (temperature or chemical compounds)			■	■	●		
Soil contamination from accidental spills or inadequate management of waste or polluting materials	☐	☐	■	■	●	■	☐
Generation of hazardous, non-hazardous and inert solid waste	☐	☐	☐	☐	●	■	■
Noise disturbance, light emissions, etc.	■			■			
Impact on wildlife	■	■	■			■	
Creation of favourable conditions for the establishment of invasive species, pests and pathogens			■				
Social setting							
Impact on landscapes	■	■	● ■	■		■	
Impact on cultural heritage	■	☐				■	☐
Job creation and induction of economic activities	●	●	●	●	●	●	●

Source: ENCORE and own elaboration.

Positive impact. ● Very high. ● High. ● Medium. ● Low. ○ Very low.

Negative impact. ■ Very high. ■ High. ■ Medium. ■ Low. □ Very low.

Scope of the biodiversity risk assessment

Biodiversity risk analysis is currently carried out on the company's own operations y adjacent areas to own operations over which they have an influence.

One of the fundamental elements in the management of sustainability and the environment in Naturgy is the supply chain, i.e. suppliers, service providers and external collaborators. 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. Within this framework, a specific risk assessment is carried out for all suppliers.

Location-specific approach

The risks to nature depend on the specific characteristics of the environment in which the activities take place. To carry out a detailed and localised analysis, following the guidelines of TNFD's LEAP (Locate, Evaluate, Assess and Prepare) approach, there is a **Geographic Information System** in place to analyse the biodiversity risk of the different energy facilities and networks at a global level. The system takes into account interactions with areas of high biodiversity value, the presence of endangered species (taking as a reference the Red List of the International Union for Conservation of Nature (IUCN)) and water stress (the Aqueduct Water Risk Atlas). The system is currently being upgraded to include the type of ecosystem and its conservation status.

Based on the results, the main monitoring indicators (GRI 303 and GRI 304) are obtained and published annually in the sustainability reports. Moreover, this information is considered in the EU taxonomy report, in particular, in the analysis of the technical criteria for the protection and restoration of biodiversity and ecosystems.

Risk map on nature

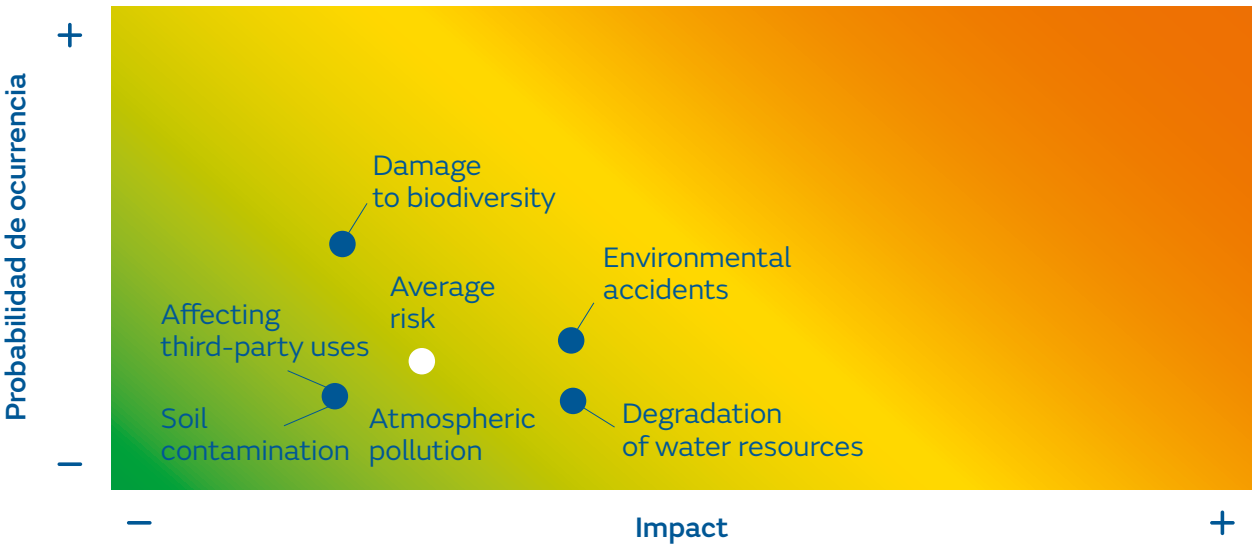
The information analysed for both impacts and dependencies translates into **nature-related risks**. In other words, the loss of natural capital, the reduction of the stock of renewable and non-renewable natural resources and the loss of ecosystem functionality entail two types of risks: **operational or physical risks** and transitional risks. Operational or physical risks are due to the materialisation of damage to nature, changes in natural stock and flows. For their part, **transitional risks** are the result of changes in policy, technological, legal requirements and consumer preferences. The greater and more catastrophic the expected physical risks, the stronger the transitional risks, as they may entail regulatory or market changes.

Based on an analysis of dependencies and impacts by technology and the experience accumulated in the management and environmental monitoring of the assets, the main significant risks for the businesses can be identified as those related to the use and management of fresh water and climate regulation. However, in the current context of decarbonisation, the installation of renewables poses a greater risk for protected species and areas.

Regarding fresh water, on the one hand, Naturgy depends on this resource (as a production factor in hydropower plants or in thermal power plants that use fresh water), and on the other hand, this impacts aquatic environments. In the current climate scenario, especially in water-stressed areas, understanding risk, water dependency and potential conflicts with stakeholders are key issues due to the type and location of Naturgy's operations.

While still at a preliminary stage of mapping and assessing all nature-related risks, water and climate regulation are among the most prominent, as their impact will determine policy changes and new stakeholder expectations.

For climate risks, the reporting standard established by the TCFD (Task Force on Climate-related Financial Disclosures) is followed. In the case of biodiversity risks, these are currently incorporated in the Corporate Risk Map as operational environmental risks. The following graph shows the assessment of these risks according to their impact (horizontal axis) and probability of occurrence (vertical axis).



The assessment of nature-related risks is currently being further developed, in line with the guidelines set by the TNFD, in order to have an improved assessment for the next period.

Biodiversity risk mitigation

After identifying the risks, Naturgy performs environmental management based on the principle of prevention. For years, the company has had an integrated management system (IMS) for quality, environment, and health and safety. The environmental management system is certified according to the requirements of the ISO 14001 standard and audited each year. The system is aimed at continuous improvement, the prevention of pollution and the reduction of

environmental impacts throughout the value chain by involving employees, suppliers and other stakeholders. Within the framework of the system, different lines of action are carried out to mitigate risks to biodiversity.

Prevention of environmental accidents and incidents

- Emergency plans in facilities and warehouses at risk of environmental accidents, which include protocols for eventualities, with containment measures and the conduct of regular drills.
- Prosafety tool for reporting events that may cause damage to the environment. This not only allows us to manage response plans, it also allows us to analyse smaller environmental accidents and incidents that do not cause significant damage but from which lessons can be learnt and larger events prevented.
- Insurance with environmental covers: environmental liability (€ 150 million per claim), civil liability for sudden and accidental pollution (€ 506 million per claim) and protection and indemnity ($ 500 million per event).
- The process of **environmental assessment of new projects,** in which all impacts on nature are identified and assessed and the necessary preventive, corrective and compensatory measures are taken. In addition, environmental assessment processes involve the different stakeholders that participate in public information processes.

Biodiversity Action Plans

- Beyond the corporate level, the different facilities and businesses use the Methodological Guide for the design of Biodiversity Action Plans (BAP) as the main tool for the development and implementation of plans aimed at the conservation or improvement of biodiversity.
- The BAPs allow for the systematic planning of variables of the natural and social environment, and therefore include objectives, actions, indicators and methodology for monitoring and review.
- Stakeholder assessment and the design of social engagement actions are key aspects, as they identify who is directly involved in the process or activity, what permissions and support are required, who is directly affected (users of the territory), and who could participate in the implementation of the plan through community mobilisation. This initial assessment makes it possible to involve the stakeholders concerned and the different Naturgy departments that must be integrated into the BAP to ensure the achievement of the objectives.
- This methodology has been in use since 2016, and a good example of its application is the **Biodiversity Action Plan for the Parameras del Señorío de Molina**.

Protection of the aquatic environment

- Regulating or diversion hydropower plants can affect the amount of water available downstream. To prevent the impact of flow abstraction, sufficient ecological flow is released to maintain both natural and socio-economic water uses.
- Combined-cycle power stations use water in their operation. Ten of the fifteen existing facilities are located in areas of high water stress and only two have significant freshwater consumption. The other plants are designed and equipped to reduce the impact on water-stressed areas and operate with seawater or wastewater from other activities, and therefore do not consume fresh water. Accordingly, only 0.2% of the water captured by combined-cycle power stations is fresh water used in water-stressed areas. In addition, the water used in the process is treated to remove contaminants (particles, oils, organic contamination and out-of-range pH, etc.) until the conditions for discharge are met. 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 ecosystem.

Protection of endangered species

- Measures have been implemented in wind farms to prevent bird collisions, such as blade painting and applications for real-time shutdown of wind turbines in the event of a collision risk. In addition, the systematic removal of carrion (dead livestock, etc.) is carried out in order to prevent bird collisions, particularly of certain birds of prey such as vultures, which, precisely, are drawn to the carcasses to feed.
- Actions on electricity network supports to minimise the risk of electrocution of birds and installation of bird guards on at-risk sections to reduce collisions. In addition, artificial intelligence image processing is used to detect nests or birds on power lines in order to prevent damage.
- Actions are taken to boost endangered bird species, such as the reintroduction of the bearded vulture in the protected natural parks of Alto Tajo and Serranía de Cuenca, the reintroduction of the lesser kestrel in Guadalajara and actions to improve the habitat of the capercaillie in the Natural Park of Lago de Sanabria, in collaboration with the authorities and specialised entities.
- Regular catches of aquatic species such as salmon, shad, eels and lamprey in hydropower plants to avoid the barrier effect produced by the dam and to contribute to the repopulation of rivers in collaboration with the authorities.
- Animal crossings have been adapted and game fencing has been improved in hydropower infrastructure to reduce negative impacts on wildlife.
- Support for wildlife recovery centres and organisations, such as the Foundation for Research in Ethology and Biodiversity (FIEB) and the Group for the Rehabilitation of Native Fauna and their Habitat (GREFA).

Protection and restoration of ecosystems

- Environmental restoration after the end of the useful life of the facilities, as in the case of **Meirama Lake.**
- Implementation of early fire detection initiatives in the vicinity of power lines, preventing damage to nearby ecosystems.

Nature-based solutions

- Use of indigenous livestock for the maintenance of power line roads to replace machinery, reducing the impact on the environment and promoting traditional pastoralism and rural development.

Stakeholder engagement

The principles of action of Naturgy's global Environmental Policy include transparency, awareness, dissemination of knowledge on energy and the environment and constructive dialogue with stakeholders. In the area of biodiversity and natural capital, this dialogue includes:

- Spanish Business and Biodiversity Initiative: in 2013, Naturgy signed the Biodiversity Pact and since then has participated in this initiative coordinated by the Biodiversity Foundation of the Ministry for the Ecological Transition and the Demographic Challenge. In May 2023, the company signed up to the new Biodiversity and Natural Capital Pact, taking on the highest level of ambition and thereby endorsing the objectives of the Kunming-Montreal Global Biodiversity Framework. Specifically, it commits to assess (identify and disclose the most significant biodiversity and natural capital impacts and dependencies arising from the company's activity), act (develop and implement a roadmap to reduce risks and take advantage of opportunities) and disseminate the efforts and achievements made in biodiversity conservation.

- Participation in **collaborative business initiatives** such as the Industry and Ecological Transition Commission of the CEOE, the Nature Business Ambition initiative of Forética and the working group on Natural Capital and Energy, together with other companies in the sector (Cepsa, EDP España, Enagás, Endesa, Grupo Red Eléctrica, Iberdrola and Repsol) to implement a harmonised framework for assessing the natural capital impact of the Spanish energy sector.

- **Collaboration with different third sector organisations** in biodiversity initiatives (Fundación Global Nature, GREFA, FIEB, etc.). The most prominent initiatives are described in the last section of this report.

- Participation in **congresses, round tables and publications** in the media, disseminating experiences and knowledge of various aspects, including biodiversity. It is worth mentioning the collaboration with the National Environmental Congress (CONAMA) held in Spain in 2021 and 2022.

- Collaboration with the **academic world**, creating content related to biodiversity, participating in various training activities and organising visits to our facilities for students. An example of this is the "Pollination and energy distribution networks. Revaluation of natural capital in power and gas pipelines" report.

- The **Naturgy Foundation** carries out numerous initiatives to disseminate, train, inform and raise awareness in society on environmental issues. For example, it collaborates with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives, as well as in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital. It also organises environmental volunteering activities for company employees and their families to encourage the development of individual attitudes and behaviour of respect and protection of the natural environment.

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Metrics and targets

To mitigate the impacts on nature, the company has a scorecard which includes all the *impact drivers* that are material to the activities, in line with the science-based targets for nature (SBTN) initiative. The scorecard includes indicators on climate change, circular economy and environmental management, the evolution of which has a positive impact on nature. Direct biodiversity indicators are also in place, although work is underway to improve them in order to be able to assess progress towards the objective of having a positive impact on nature.

The high-level indicators, with their targets to 2025 and performance progress over the last three years, are shown below:

Key natural capital indicators 2020-2022	2020	2021	**2022**	**2025 Target**
Absolute GHG emissions Scope 1 and Scope 2 (million tCO_2eq)	15.5	13.5	**15.1**	**11.4**
Absolute GHG emissions Scope 3 (million tCO_2eq)	123.2	136.5	**110.1**	**114.1**
CO_2 intensity in electricity generation (tCO_2/GWh)	297	261	**279**	**171**
Renewable generation mix measured as installed capacity over group total (%)	29	33	**34**	**56**
Renewable gas production or injection capacity (TWh)		0.21	**0.22**	**1**
Total water consumption (hm^3)	20.03	15.2	**18.8**	**15.6**
Total waste production (hazardous + non-hazardous) (kt)	159	98	**94**	**110**
Total waste recycled and recovered (hazardous + non-hazardous) (%)	61	57	**92**	**75**
Environmental studies	112	145	**200**	
Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling) (number)	265	302	**345**	**350**
Activity with ISO 14001 environmental certification (% of EBITDA)	92.2	93.1	**97.9**	**95**
Calculation of Physical Climate and Energy Transition Risks at corporate level (50%) and at business unit level (100%) (%)		50	**50**	**100**
Eligible CAPEX according to European Taxonomy (%)		61	**67**	**80**

Key initiatives



Biodiversity transformation centres

Since 2016, Naturgy has been collaborating with GREFA to give a second life to transformation centres where biodiversity can find refuge once they have been restored. Since 2017, five abandoned centres have been rehabilitated and 25 to 30 nesting boxes for birds or other species such as bats have been installed. Between 2020 and 2022, the monitoring of the actions began to show results: the outdoor occupancy of the boxes was approximately 55%, highlighting the use of the nests and shelters by bats and birds classified as "Vulnerable" in the Spanish catalogue of endangered species, such as the barn owl *(Tyto alba)*, tawny owl *(Strix aluco)* and the little owl *(Athene noctua)*.

Location

Cuenca, Segovia, Lugo and León.

Collaborators

GREFA and the National Museum of Natural Sciences of the CSIC.

Budget

€ 91,000

Biodiversity Action Plan for the Parameras del Señorío de Molina

In June 2018, Naturgy launched a Biodiversity Action Plan with several objectives: the protection of the population of Griffon's **vultures** in the vicinity of wind farms, and the conservation of steppe birds. To this end, actions have been carried out to improve feeding areas, a *primillar* (nesting space for lesser kestrels) has been built where a colony of lesser kestrels was subsequently created through **hacking**, and organic lavandin crops were tested in association with extensive sheep grazing (more than 1,000 sheep), all supported by scientific monitoring and actions that ensure the involvement of all stakeholders. The lavandin crop was developed as a pilot in order to be able to replicate the model on a significant area, i.e. landscape scale. The indicators collected show that the expected results have been achieved: the added value at an economic level (better quality of the essence) and at an environmental level (improvement of the steppe bird population). Since 2020, and through agricultural stewardship, the substitution of cereal crops with lavandin has been promoted and, for several years, activities such as advice for farmers, conferences, training workshops and visits with cosmetic companies have been carried out to ensure the differentiated marketing of the essence. By the end of 2022, more than 200 hectares had been converted from cereal to lavandin.

Location

Cillas and Tortuera (Guadalajara).

Colaboradores

Fundación Global Nature (land stewardship entity), Biodiversity node, GREFA, IRIAF, the Regional Government of Castile-La Mancha and Enel Green Power.

Budget

€ 435,000

Environmental restoration: Meirama Lake

The creation of Meirama Lake was the final phase of the restoration of a former lignite mine, and is one of the largest environmental rehabilitation projects carried out in Spain. The transformation of the former open-cast lignite mine into an artificial lake has created a large area of biodiversity that will boost economic and tourism development in the area, as it will also have a beach. Meirama Lake is the first artificial lake in the world that can be used as a water reservoir thanks to the good quality of its water. More than 450,000 trees have been planted in the surrounding area, and over 830 animal and plant species have been inventoried in this green space, some of which are of special conservation value. In May 2020, the environmental rehabilitation project culminated with the transfer of the Meirama - As Encrobas Lake to the Public Hydraulic Domain. The natural area is now freely accessible and has a 6.5-kilometre perimeter promenade.

Location

As Encobras Valley, Cerceda (A Coruña).

Collaborators

Universities of Santiago de Compostela and A Coruña.

Budget

€ 60,000,000

Rice straw: biomethane and economics

This research and innovation project offers a solution to multiple environmental problems: it proposes the anaerobic digestion of waste (rice straw), which is recovered and converted into renewable gas and in turn generates by-products (digestates) such as fertilisers and organic compost that can be used on the crops themselves, thereby closing the cycle of matter in the wetland environment where the rice is produced and creating a circular economy model. The implementation of this initiative is intended to solve the problem of poor air quality generated by the burning of rice straw around the city of Valencia and its metropolitan area, as well as the problems it causes in irrigation channels and aquifers, such as the degradation of water and soil and greenhouse gas emissions when the straw is left to rot in the open air. After an initial research phase, the project can be scaled up to produce 92 GWh per year. The initiative promotes investments to improve agricultural practices in areas of high natural value, and can be replicated in wetlands such as the Ebro Delta, Extremadura and the Guadalquivir marshes, promoting the sustainable use and conservation of wetlands where rice is grown.

Location

Valencia.

Collaborators

Enagás, Genia Bioenergy and Nedgia (gas distributor of the Naturgy group), and the DG Agriculture, Rural Development, Climate Emergency and Ecological Transition, Regional Government of Valencia.

Budget

€ 75,000

Wetlands4Climate

Naturgy collaborates in the **Wetlands4Climate** project, focused on establishing management guidelines for Mediterranean wetlands to function as carbon sinks, while maintaining their ecological integrity and functionality. This is a LIFE Climate Change Project that represents an important advance in the knowledge of the carbon balances of Mediterranean wetlands. The research is led by the Limnology Group of the University of Valencia and the findings evidence that the maximum capacity for carbon sequestration and climate mitigation occurs when wetlands are in a good state of conservation and that, on the contrary, they can even become net emitters of GHGs if they are degraded.

The project has analysed how much carbon a wetland is actually able to sequester depending on its conservation status and for the first time, from a climate perspective, which soil, vegetation and water management measures are the most appropriate to maximise carbon sequestration.

Location

Castilla La Mancha, Castilla y León and Valencia Region.

Collaborators

Fundación Global Nature.

Budget

€ 30,000

Conservation of the grey partridge

The grey partridge *(Perdix perdix)* is one of the most endangered species in Castilla y León. In the Sanabria Lake Natural Park and the surrounding mountain ranges, work has been carried out to diversify the habitat of this species, reducing the area of scrubland and recovering areas of pastureland, thus encouraging the maintenance sites of grazing and traditional livestock farming. These actions contribute to improving the state of two Natura 2000 sites, to the prevention of forest fires and to the improvement of pastures for livestock, which promotes livestock farming within the natural park. It represents an example of sustainable use of the natural resources of this protected area.

Location

Sanabria Lake and Segundera and Porto mountain ranges Natural Park (Castilla y León).

Collaborators

Natural Heritage Foundation of Castilla y León.

Budget

€ 100,000

Corporate environmental volunteering programme

Between 2020 and 2022, the Naturgy Foundation has carried out 15 activities with 608 volunteers. The impact of the volunteers' work is reflected in results such as 183 constructions for fauna (nesting boxes and insect hotels) made by the volunteers and which have been handed over to the administrators of the natural areas where the volunteer work was carried out. In addition, 677 plants have been planted, and approximately 10 m^3 of rubbish has been removed from different natural areas, a large part of which was microplastics. Furthermore, in 2021, in order to keep the programme active despite the COVID-19 pandemic, three online volunteering events were held, allowing Naturgy Mexico employees, together with their families, to participate. The Corporate Volunteering programme of the Naturgy Foundation started almost 10 years ago and has involved the collaboration of 1,765 volunteers, representing more than 1,840 hours invested in the improvement of nature.

Location

Various locations.

Collaborators

Naturgy Foundation, Fundación Global Nature and 49 local entities.

Budget

€ 160,000

Bosque Naturgy

The ‘Bosque Naturgy’ reforestation initiative involves the creation of the first Naturgy forest. The forest has native species (cork oak, oak, chestnut, yew and holm oak). Its objective is twofold: on the one hand, to absorb 2,220 tonnes of CO_2 from the atmosphere, and on the other, to create native ecosystems. The selection of species is based on a study that ensures the correct execution and maintenance of the plantations, as well as the creation of benefits for biodiversity. The initiative, promoted together with Bosquia Nature, has recovered degraded areas in Galicia and has FSC international certification, which not only guarantees management with biodiversity criteria but also benefits for the local community.

Location

A Coruña.

Collaborators

Bosquia Nature.

Budget

€ 14,000

“Red List Rescue Mission” project in the Dominican Republic

The “Red List Rescue Mission” programme is a strategic alliance to rescue endangered species in the Dominican Republic, through their cultivation and preservation. It is promoted by the National Botanical Garden, the Ministry of the Environment, ECORED and the German cooperation agency GIZ. Naturgy has contributed by sponsoring the species Pimienta ozua (in danger of extinction), which grows in the *Humedales del Ozama* National Park. To this end, it has been involved in seed collection, nursery reproduction and planting, as well as awareness-raising activities on the value of the local flora.

Location

Dominican Republic.

Collaborators

National Botanical Garden, the Ministry of the Environment, ECORED and the German cooperation agency GIZ.

Budget

€ 20,000

Biodiversity Action Plan for the conservation of the golden eagle and Bonelli's eagle in Tarragona

The Biodiversity Action Plan (BAP) is linked to compensatory measures for several wind farms in Tarragona. Its objective is the conservation of two species: the golden eagle *(Aquila chrysaetos)* and the Bonelli's eagle *(Aquila fasciata)*. The BAP is organised through a land stewardship organisation, Mare Terra Fundació Mediterránea, and in collaboration with landowners, local councils and hunters. The actions carried out include the leasing of land for agricultural work in abandoned fields in order to favour trophic resources, especially rabbits, pigeons and partridges. Sowings (vetch, peas, fescue and alfalfa), construction of flowerbeds, creation of water points such as drinking troughs, and construction of a dovecote have been carried out, among other actions.

Location

Tarragona.

Collaborators

Fundación Global Nature, Mare Terra Fundació Mediterránea and the Regional Government of Catalonia.

Budget

€ 119,000

Tortuguero Camp

The Tortuguero Camp project is a collaboration with the Sea Turtle Conservation Centre located in Tuxpan, in the state of Veracruz (Mexico). The centre aims to protect the nests of green turtles and olive ridley turtles to ensure the successful reproduction of these species.

The work carried out consisted of the preparation of a preliminary diagnosis and the design of an action plan to conserve these species. Subsequently, the company was involved in some of the actions identified, such as support for the redesign of the centre, provision of means of transport, training of volunteers, species protection outreach to the local community and schools, and the release of green turtle hatchlings.

Location

Tuxpan, Veracruz State (Mexico).

Colaboradores

Tortuguero R-5 Camp.

Budget

€ 50,000

Recovery of degraded areas in Caatinga

The Programme for the Recovery of Degraded Areas (PRAD) seeks to improve the environmental conditions of the areas impacted by the Solar I and Sertao I photovoltaic plants. The plants are located in the Caatinga biome, where the characteristics of the territory (high temperature, soil acidity and low rainfall) make the soil vulnerable to desertification processes. Some 20 hectares have been recovered with vegetation typical of the ecosystem, with follow-up and replacement of specimens that have not rooted well, thus ensuring the success of this first stage of the ecosystem restoration process.

Location

São João do Piauí and João Costa in the state of Piauí, Brazil.

Budget

€ 457,000

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