



# Auditor's Report on Naturgy Energy Group, S.A.

**(Together with the annual accounts and  
directors' report of Naturgy Energy Group, S.A.  
for the year ended 31 December 2023)**

*(Translation from the original in Spanish. In the  
event of discrepancy, the Spanish-language  
version prevails.)*



KPMG Auditores, S.L.  
Paseo de la Castellana, 259C  
28046 Madrid

## **Independent Auditor's Report** **on the Annual Accounts**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the shareholders of Naturgy Energy Group, S.A.

### **REPORT ON THE ANNUAL ACCOUNTS**

#### **Opinion**

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We have audited the annual accounts of Naturgy Energy Group, S.A. (the "Company"), which comprise the balance sheet at 31 December 2023, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

#### **Basis for Opinion**

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We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverable amount of non-current investments in Group companies and associates

See notes 3.3, 3.19, 4 and 7 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2023 the Company has recognised non-current investments in Group companies and associates amounting to Euros 29,879 million. The recoverable amount of these investments in Group companies and associates is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p> <p>During the 2023 fiscal year, the Company recorded a reversals of impairment value corrections on investments in affiliated and group companies amounting to 55 million euros in the income statement.</p> <p>Due to the significance of the investments and the uncertainty associated with these estimates, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>– Evaluating the design and implementation of the key controls related to the process of calculating the recoverable amount.</li><li>– Assessing the existence of evidence of impairment, as well as the reasonableness of the methodology and assumptions used to estimate the recoverable amount, with the involvement of our specialists.</li><li>– Assessing whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</li></ul>

## Other Information: Directors' Report

Other information solely comprises the 2023 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

- Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.



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- b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

### **Directors' and Audit and Control Committee's Responsibilities for the Annual Accounts**

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The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and control committee is responsible for overseeing the preparation and presentation of the annual accounts.

### **Auditor's Responsibilities for the Audit of the Annual Accounts**

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Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.



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As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with Naturgy Energy Group, S.A.'s audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and control committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit and control committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **European Single Electronic Format**

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We have examined the digital file of Naturgy Energy Group, S.A. for 2023 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Naturgy Energy Group, S.A. are responsible for the presentation of the 2023 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

### **Additional Report to the Audit and Control Committee**

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The opinion expressed in this report is consistent with our additional report to the Company's audit and control committee dated 27 February 2024.

### **Contract Period**

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We were appointed as auditor by the shareholders at the ordinary general meeting on 9 March 2021 for a period of three years, from the year ended 31 December 2021.

KPMG Auditores, S.L.  
On the Spanish Official Register of  
Auditors ("ROAC") with No. S0702

*(Signed on original in Spanish)*

Eduardo González Fernández  
On the Spanish Official Register of Auditors ("ROAC") with No. 20,435  
27 February 2024

Annual Report of  
Naturgy Energy Group, S.A.  
**2023**



## Separate Annual Accounts

Balance sheet.

Income Statement.

Statement of recognised income and expense.

Statement of changes in equity.

Cash flow Statement.

Notes to the annual accounts.



This 2023 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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

		<b>31.12.2023</b>	31.12.2022
<b>NON-CURRENT ASSETS</b>	<b>Note</b>	<b>30,215</b>	<b>29,321</b>
Intangible assets	5	1	2
Patents, licences, trademarks and other		—	1
Other intangible assets		1	1
Property, plant and equipment	6	97	102
Land and buildings		84	90
Other property, plant and equipment		13	12
Long-term investments in group companies and associates	7	29,879	28,957
Equity instruments		15,882	14,960
Loans to companies		13,997	13,997
Long-term investments	8-14	29	77
Equity instruments		4	5
Derivatives		22	69
Other financial assets		3	3
Other non-current assets	9-14	80	63
Derivatives		80	63
Deferred tax assets	17	129	120
<b>CURRENT ASSETS</b>		<b>2,082</b>	<b>4,286</b>
Trade and other receivables	9-14	152	981
Trade receivables for sales and services		2	67
Trade receivables, group companies and associates		68	184
Derivatives		5	710
Current tax assets		65	16
Other amounts receivable to Public Administrations		12	4
Short-term investments in group companies and associates	7	294	294
Loans to companies		291	292
Other financial assets		3	2
Short-term investments	8-14	36	28
Derivatives		34	16
Other financial assets		2	12
Short-term prepayments and accrued expenses		2	2
Cash and cash equivalents	10	1,598	2,981
Cash at banks and in hand		1,137	1,336
Other cash equivalents		461	1,645
<b>TOTAL ASSETS</b>		<b>32,297</b>	<b>33,607</b>

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

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

	<b>Note</b>	<b>31.12.2023</b>	31.12.2022
<b>EQUITY</b>	11	<b>18,023</b>	<b>18,306</b>
<b>SHAREHOLDERS' FUNDS</b>		<b>17,980</b>	<b>18,240</b>
Capital		970	970
Share capital		970	970
Share premium		3,808	3,808
Reserves		10,360	10,377
Legal and statutory		300	300
Other reserves		10,060	10,077
Treasury shares		(6)	(1)
Profit/(loss) for the year		1,211	1,435
Retained earnings		2,592	2,320
Interim dividend		(969)	(679)
Other equity instruments		14	10
<b>VALUE CHANGE ADJUSTMENTS</b>		<b>43</b>	<b>66</b>
Hedging operations		43	66
<b>NON-CURRENT LIABILITIES</b>		<b>9,921</b>	<b>10,560</b>
Long-term provisions	12	294	270
Long-term post-employment obligations		204	187
Other provisions		90	83
Long-term borrowings	13	2,383	1,939
Bank borrowings		2,382	1,938
Other financial liabilities		1	1
Amounts owing to group companies and associates falling due in more than one year	15	6,896	8,013
Deferred tax liabilities	17	267	275
Other liabilities	14-16	81	63
Derivatives		81	63
<b>CURRENT LIABILITIES</b>		<b>4,353</b>	<b>4,741</b>
Short-term borrowings	13-14	165	559
Bank borrowings		165	534
Derivatives		—	25
Amounts owing to group companies and associates falling due in less than one year	15	3,967	3,125
Trade and other payables	16	220	1,056
Trade payables		72	240
Trade payables, group companies and associates		14	71
Derivatives	14-16	5	711
Other sundry payables		42	—
Personnel (outstanding remuneration)		40	18
Other amounts payable to Public Administrations		47	16
Short-term prepayments and accrued expenses		1	1
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,297</b>	<b>33,607</b>

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

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

		<b>2023</b>	<b>2022</b>
Revenue	18	1,818	2,628
Sales		173	718
Income from equity instruments of group companies and associates	7	1,187	1,474
Income from marketable securities and other financial instruments of group companies and associates		458	436
Raw materials and consumables	19	(174)	(713)
Consumption of goods		(174)	(713)
Other operating income	22	66	75
Supplementary income and other operating income		66	75
Personnel expenses	20	(97)	(70)
Wages, salaries and related expenses		(83)	(57)
Social Security		(9)	(8)
Provisions		(5)	(5)
Other operating expenses	21	(161)	(136)
External services		(159)	(135)
Taxes		(2)	(1)
Fixed asset depreciation/amortisation	5-6	(10)	(12)
Impairment and results on disposals of fixed assets		59	(4)
Impairment of and losses from equity instruments of group companies and associates	4-7	55	1
Gain/(loss) on disposals of equity interests in Group companies and associates	7	4	(5)
<b>OPERATING PROFIT/(LOSS)</b>		<b>1,501</b>	<b>1,768</b>
Financial income		61	12
Equity instruments		—	1
- In third parties		—	1
Negotiable securities and other financial instruments		61	11
- In third parties		61	11
Financial expenses		(364)	(300)
Borrowings from group companies and associates		(270)	(245)
Borrowings from third parties		(94)	(55)
Impairment and gains/(losses) on disposals of financial instruments		(1)	—
<b>NET FINANCIAL INCOME</b>	23	<b>(304)</b>	<b>(288)</b>
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>1,197</b>	<b>1,480</b>
Income tax	17	14	(45)
<b>PROFIT FOR THE YEAR</b>		<b>1,211</b>	<b>1,435</b>
Basic and diluted earnings per share in euro		1.26	1.49

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

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

<b>A) STATEMENT OF RECOGNISED INCOME AND EXPENSE</b>	<b>Note</b>	<b>(million euro)</b>	
		<b>2023</b>	2022
<b>PROFIT FOR THE YEAR</b>		<b>1,211</b>	<b>1,435</b>
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		<b>(22)</b>	<b>140</b>
Cash flow hedges		(13)	128
Actuarial gains and losses and other adjustments	11-12	(18)	58
Tax effect	17	9	(46)
<b>RELEASES TO INCOME STATEMENT</b>		<b>(13)</b>	<b>13</b>
Cash flow hedges		(17)	17
Tax effect	17	4	(4)
<b>TOTAL INCOME AND EXPENSE RECOGNISED IN EQUITY</b>		<b>1,176</b>	<b>1,588</b>

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

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

<b>B) TOTAL STATEMENT OF CHANGES IN EQUITY</b>											<b>(million euro)</b>
	Share capital	Share premium	Reserves	Treasury shares	Profit or loss brought forward	Retained Earnings	Profit of the year	Interim dividend	Other instruments	Value changes adjustments	Total
<b>Balance at 1.1.2022</b>	<b>970</b>	<b>3,808</b>	<b>11,304</b>	<b>(4)</b>	—	<b>1,778</b>	<b>1,706</b>	<b>(679)</b>	<b>18</b>	<b>(43)</b>	<b>18,858</b>
Total recognised income and expense	—	—	44	—	—	—	1,435	—	—	109	1,588
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(485)	—	(679)	—	—	(1,164)
- Trading in treasury shares	—	—	—	3	—	—	—	—	—	—	3
Other changes in equity	—	—	(971)	—	—	1,027	(1,706)	679	(8)	—	(979)
<b>Balance at 31.12.2022</b>	<b>970</b>	<b>3,808</b>	<b>10,377</b>	<b>(1)</b>	—	<b>2,320</b>	<b>1,435</b>	<b>(679)</b>	<b>10</b>	<b>66</b>	<b>18,306</b>
Total recognised income and expense	—	—	(17)	—	—	—	1,211	—	5	(23)	1,176
Operations with shareholders or owners											
- Dividend distribution	—	—	—	—	—	(485)	—	(969)	—	—	(1,454)
- Trading in treasury shares	—	—	—	(5)	—	—	—	—	—	—	(5)
Other changes in equity	—	—	—	—	—	757	(1,435)	679	(1)	—	—
<b>Balance at 31.12.2023</b>	<b>970</b>	<b>3,808</b>	<b>10,360</b>	<b>(6)</b>	—	<b>2,592</b>	<b>1,211</b>	<b>(969)</b>	<b>14</b>	<b>43</b>	<b>18,023</b>

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

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

	Note	31.12.2023	31.12.2022
<b>Profit for the year before tax</b>		<b>1,197</b>	<b>1,480</b>
<b>Adjustments to results</b>		<b>(1,384)</b>	<b>(1,615)</b>
Fixed asset depreciation/amortisation	5 and 6	10	12
Impairment adjustments	4 and 7	(54)	(1)
Change in provisions		6	(4)
Profit/(loss) on write-offs and disposals of financial instruments		(4)	5
Financial income		(1,706)	(1,923)
Financial expenses	23	364	300
Other income and expenses		—	(4)
<b>Changes in working capital</b>		<b>17</b>	<b>173</b>
Debtors and other receivables		156	261
Other current assets		—	(1)
Creditors and other payables		(139)	(87)
<b>Other cash flows from operating activities</b>		<b>1,389</b>	<b>2,125</b>
Interest paid		(307)	(253)
Dividends received		1,212	2,044
Interest collected		480	425
Income tax collections/(payments)		4	(91)
<b>Cash flows from operating activities</b>		<b>1,219</b>	<b>2,163</b>
<b>Amounts paid on investments</b>		<b>(1,010)</b>	<b>(1,084)</b>
Group companies and associates		(1,005)	(1,079)
Intangible assets		—	(1)
Property, plant and equipment		(4)	(4)
Other financial assets		(1)	—
<b>Amounts collected from divestments</b>		<b>235</b>	<b>2,239</b>
Group companies and associates		225	2,194
Other financial assets		10	45
<b>Cash flows from investing activities</b>		<b>(775)</b>	<b>1,155</b>
<b>Collections and payments on equity instruments</b>		<b>(5)</b>	<b>3</b>
Acquisition of own equity instruments		(10)	—
Disposal of own equity instruments		5	3
<b>Collections and payments financial liability instruments</b>		<b>(368)</b>	<b>(1,384)</b>
Issuance		2,321	1,521
Bank borrowings		1,096	103
Payables to Group companies and associates		1,225	1,418
Repayment/redemption of		(2,689)	(2,905)
Bank borrowings		(1,025)	(405)
Payables to Group companies and associates		(1,640)	(2,483)
Other payables		(24)	(17)
<b>Dividend payments</b>		<b>(1,454)</b>	<b>(1,164)</b>
<b>Cash flow from financing activities</b>		<b>(1,827)</b>	<b>(2,545)</b>
<b>NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS</b>		<b>(1,383)</b>	<b>773</b>
Cash and cash equivalents at the beginning of the year		2,981	2,208
Cash and cash equivalents at the year end		1,598	2,981

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

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# Notes to the annual accounts of Naturgy Energy Group, S.A. for 2023

## Note 1. General information

Naturgy Energy Group, S.A. (“the Company”), the parent company of the Naturgy group (“Naturgy”), was incorporated as a public limited company in 1843 and its registered office for corporate purposes is in Avda. América 38, Madrid. On 27 June 2018, the shareholders, in general meeting, agreed to change the company’s business name to Naturgy Energy Group, S.A., formerly Gas Natural SDG, S.A.

The Company’s corporate objects, as per its articles of association, comprise the following activities:

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

The Company’s main ordinary activity is the administration and management of its shareholdings in subsidiaries. In addition, the Company has short-term gas supply contracts.

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

On 10 February 2022, Naturgy reported the decision by its Board of Directors concerning the launch of the Géminis project, consisting of a very significant reorganisation of the corporate group of which Naturgy Energy Group, S.A. is the parent company. Specifically, this project envisaged the partial spin-off of Naturgy Energy Group, S.A. giving rise to two large groups with clearly differentiated business profiles.

Updating the status of the Géminis project to the date of authorisation for issue of these annual accounts, the Board of Directors does not consider, at 31 December 2023, that the conditions for the materialisation of the Géminis project are very probable, as is required by accounting regulations for the net assets subject to the spin-off to be classified as held for sale and for any distribution to be made to shareholders.

## Note 2. Basis of presentation, comparability and accounting policies

### Basis of presentation, comparability and accounting policies

#### 2.1. Basis of presentation

The Company’s annual accounts for 2022 were approved at the annual general meeting of shareholders on 28 March 2023.

The annual accounts for 2023, which were drawn up and signed by the Company’s Board of Directors on 26 February 2024, will be submitted to the general shareholders’ meeting for approval; they are expected to be approved without any changes.

The accompanying annual accounts are presented in accordance with current mercantile legislation and with the rules laid down in the National Chart of Accounts approved by Royal Decree 1514/2007 of 16 November and the amendments incorporated therein by Royal Decree 1159/2010 of 17 September, Royal Decree 602/2016 of 2 December, and Royal Decree 1/2021 of 12 January, as well as by the adoption of the Resolution of 10 February 2021 of the Spanish Institute of Accounting and Auditing which lays down rules for the recognition, valuation and preparation of the annual accounts for the recognition of income from sales of goods and services.

These annual accounts have been prepared based on the Company's accounting records in order to fairly present its equity and financial position at 31 December 2023, as well as the Company's results, changes in equity and cash flows for the year then ended.

At 31 December 2023, the Company's working capital was negative by Euros 2,271 million (Euros 455 million in 2022). In this respect, the Company's liquidity statements envisaged for this year together with the amounts available under credit lines (Note 14) will ensure coverage of the goodwill.

The figures set out these annual accounts are expressed in million euros, this being the Company's functional and presentation currency, unless otherwise stated.

## 2.2 Comparability

The annual accounts present for comparative purposes, for each item in the balance sheet, income statement, statement of changes in equity, cash-flow statement and notes to the accounts, the figures corresponding to the previous year which formed part of the 2022 annual accounts as well as the figures for 2023.

## 2.3 Accounting principles and main measurement standards

The accounting principles and the main measurement standards used by the Company to prepare the annual accounts for the year are the same as those applied in the Company's annual accounts for the year ended 31 December 2022, which include the amendments and impacts derived from the adoption of Royal Decree 1/2021 and the adoption of the Resolution of 10 February 2021 of the Spanish Institute of Accounting and Auditing, which lays down rules for the recognition, valuation and preparation of the annual accounts with respect to the recognition of income from sales of goods and services.

The consolidated annual accounts of Naturgy for 2023 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in accordance with Regulation (EU) 1606/2002 of the European Parliament and of the Council. The main figures disclosed in the consolidated annual accounts, which have been audited, are as follows:

Total assets	37,893
Equity attributed to the parent company	9,448
Non-controlling interests	2,481
Revenue	22,617
Profit after tax attributed to the parent company	1,986

## Note 3. Accounting policies

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

### 3.1 Intangible assets

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

#### a. Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the acquisition date fair value of the share in the net identifiable assets of the acquired subsidiary, jointly-controlled entity or associate. Consequently, goodwill is only recognised when it has been acquired for valuable consideration and relates to the future economic benefits from assets that have not been identified individually and recognised separately.

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

Impairment of goodwill cannot be reversed.

#### b. Computer software

Costs associated directly with the production of computer software programs that are likely to generate economic benefits greater than the costs related to their production are recognised as intangible assets. The direct costs include the personnel costs of the employees involved in developing the programs.

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

#### c. Other intangible assets

Research expenditure is recognised in the income statement when incurred.

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

### 3.2. Property, plant and equipment

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

#### a. Cost

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

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

Renewal, extension or improvement costs are capitalised as an increase in the asset's value only when its capacity, productivity or useful life increases. Major maintenance expenditures are capitalised and amortised over the estimated useful life of the asset (generally 2 to 6 years) while minor maintenance is expensed as incurred.

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

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

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

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

## b. Depreciation

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

	<b>Estimated useful life years</b>
Buildings	33 – 50
Computer hardware	4
Vehicles	6
Other	3 – 20

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

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

### 3.3 Asset impairment

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

When the recoverable amount is less than the asset's carrying amount, an impairment loss is recognised in the income statement for the amount of the difference between the two. The recoverable amount is calculated at the higher of an asset's fair value less costs of sale and value in use calculated by applying the discounted cash flow method. In general the Company considers value in use as the recoverable amount, except for CGUs where fair value less costs to sell is considered to be a better estimate of the recoverable amount.

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

For investments in group companies and associates, barring investments the recoverable amount of which is determined based on the investee's equity (Note 3.4), the recoverable value is calculated as the highest value between the fair value of the investments in group companies and associates and their value in use. The value in use is determined by the present value of the cash flows generated in its current state based on the best prospective information available for the coming years, extended as far as a 10-year period or by the remaining useful life, for certain assets and concessions on the basis of regulations and expected market evolution, drawing on available industry forecasts and historical experience of price trends and volumes produced.

The extension by the additional years to reach a period of ten years for the cash flow projections or by the remaining useful life of the assets and concessions is explained by the fact that in many cases long-term energy sale agreements have been concluded, long-term estimated price curves are available that are used in the Group's ordinary operations (for contracts, hedging, etc.), the electricity and gas supply business is influenced by long-term government policies and is based on stable customer relations, there are lengthy regulatory periods and, in the case of electricity and gas transport and distribution concessions, because the mechanism for calculating the new tariff that the relevant regulator will use at the beginning of the new regulatory period is foreseen.

Naturgy believes that its projections are reliable and that it can reliably predict additional cash flows beyond the initial projections.

The cash flows after the ten-year projected period are extrapolated using the growth rates estimated for each CGU or group of CGUs, and in no case exceed the average long-term growth rate for the business in which they operate. In all cases, they are lower than the growth rates for the period reflected in the available prospective information. Additionally, in order to estimate future cash flows in the calculation of residual values, all maintenance investments have been considered and, if applicable, renewal investments necessary to maintain the CGUs' production capacity.

The parameters taken into account to determine the growth rates, which represent the long-term growth of each line of business, are in line with the long-term growth of the country, obtained from inflation estimates from various sources: analyst consensus (Bloomberg), International Monetary Fund (IMF), Organization for Economic Co-operation and Development (OECD), Central Banks and other government agencies, European Commission for the period 2023-2025 and from 2026 onwards the Economist Intelligence Unit (EIU).

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

- Risk-free rate: Based the profitability on the sovereign bond market considering country risk, currency and CGU benchmark term as well as studies or other sources of information (Damodaran, EIU and others).
- Market risk premium: Premium based on studies and other sources of information (Kroll, Damodaran, Pablo Fernández and others).
- Deleveraged Beta: Based on estimated betas for each CGU based on comparables (Bloomberg).
- Cost of financial debt: comprises the functional currency interest rate swap, with a term of 10 to 30 years, plus a spread for credit risk.
- Debt-equity ratio: Based on industry comparables.

An asset impairment loss, individually considered, is recognised in the income statement, reducing the carrying value of the asset to its recoverable amount. The depreciation charges for the asset are adjusted in future periods in order to apportion the revised carrying amount of the asset, less its residual value, in a systematic manner over its remaining useful life.

An impairment loss is recognised for an asset if its recoverable amount is less than the carrying amount. The carrying amount of an asset is not reduced below the higher of its recoverable value and zero.

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

### Impairment of financial assets measured at amortised cost

For financial assets carried at amortised cost, the impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. For financial assets at variable interest rates, the effective interest rate at the measurement date based on contractual terms is applied. Impairment losses and their reversal when the amount of such losses decreases for reasons related to a subsequent event are charged to results. The reversal of the loss is limited to the amortised cost of the assets had the impairment loss not been recognised.

## 3.4 Financial assets and liabilities

### Financial assets

The Company classifies its financial assets based on their valuation category which is determined on the basis of the business model and the characteristics of the contractual cash flows, and reclassifies financial assets when and only when it changes its business model for managing said assets.

Purchases and sales of investments are recognised on the trade date, which is the date on which the Company undertakes to purchase or sell the asset, classifying the acquisition under the following categories:

#### a. Financial assets at cost

This category includes equity investments in Group companies and associates, as well as investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument or cannot be reliably estimated.

They are measured at the lower of acquisition cost, which is the fair value of the consideration given plus directly attributable transaction costs, or fair value in the case of investments acquired through a business combination, and the recoverable value. The recoverable value is determined as the higher of fair value minus cost of sale and the current value of the cash flows generated by the investment. If there is no better evidence of recoverable value, recoverable value will be the equity of the investee company adjusted by any tacit capital gains subsisting at the valuation date. The value adjustment and, where appropriate, its reversal, is recorded on the income statement in which it takes place.

#### b. Financial assets at amortised cost

These are debt instruments which are held to collect contractual cash flows when those cash flows consist only of principal and interest payments. They include current assets, except for those maturing after twelve months as from the balance sheet date that are classified as non-current assets.

They are initially recorded at their fair value and then at their amortised cost using the effective interest rate method. Interest income from these financial assets is included in financial income. Any gain or loss that arises when they are derecognised is recognised directly in results and any impairment losses are recorded as a separate item in the income statement for the year.

#### c. Financial assets at fair value through profit or loss

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

Equity instruments classified in this category are recognised at fair value and any gain or loss arising from changes in fair value, or the proceeds of their sale, are included in the income statement.

The fair values of listed investments are based on listed prices (Level 1). In the case of shareholdings in unlisted companies, fair value is determined using valuation techniques that include the use of recent transactions between willing and knowledgeable parties, references to other instruments that are substantially the same and the analysis of discounted future cash flows (Levels 2 and 3). In the event that recent available information is insufficient to determine fair value, or if there is a whole range of possible fair value and cost measurements represents the best estimate within that range, investments are carried at cost less any impairment loss.

#### d. Equity instruments at fair value through equity

These are equity instruments with respect to which the Company has made an irrevocable decision at the time of initial recognition to record them in this category. They are recognised at fair value and increases or decreases that arise from changes in fair value are recorded in Equity. However, impairment adjustments and dividends on such investments are recognised in results for the period. At the time of sale, gains or losses are reclassified to the income statement.

Fair value measurements are classified using a fair value hierarchy that reflects the relevance of the variables employed to perform the measurement. This ranking has three levels:

- Level 1: Valuations based on the quoted price of identical instruments in an active market. Fair value is based on quoted market prices at the balance sheet date.
- Level 2: Valuations based on variables that are observable for the asset or liability. The fair value of financial assets included in this category is determined using valuation techniques. These techniques maximise the use of available observable market data inputs and rely as little as possible on entity-specific estimates made by the Company. If all significant inputs required to calculate the fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.
- Level 3: Valuations based on variables that are not based on observable market information.

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

Receivables assignment agreements are treated as factoring without recourse provided that the risks and rewards inherent in ownership of the financial assets assigned are transferred.

The impairment of financial assets is based on their recoverable value. The Company recognises financial asset impairment at each reporting date.

## Financial liabilities

### a. Financial liabilities measured at amortised cost

Borrowings are initially recognised at their fair value, net of any transaction costs incurred. Any difference between the amount received and the repayment value is recognised in the income statement during the period of repayment using the effective interest rate method, classifying financial liabilities as measured subsequently at amortised cost.

In the event of contractual modifications to a liability at amortised cost that do not result in derecognition, the carrying amount of the financial liability will be adjusted by any transaction costs or fees incurred. From that date, the amortised cost of the financial liability will be determined by applying the effective interest rate that matches the carrying amount of the financial liability with the cash flows payable under the new conditions.

The difference between the carrying amount of a derecognised financial liability and the consideration paid is recognised in profit or loss for the period.

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

In addition, trade and other current payables are financial liabilities that fall due in less than twelve months; they are initially recognised at fair value, do not accrue explicit interest, and are carried at their nominal value. Those maturing in more than twelve months are considered non-current payables.

### b. Financial liabilities at fair value through profit or loss

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

## 3.5 Financial derivatives and other financial instruments

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

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

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

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

- Derivatives listed on an official market are calculated on the basis of their year-end quotation (Level 1).

- Derivatives that are not traded on official markets are calculated on the basis of the discounting of cash flows based on year-end market conditions or, in the case of non-financial items, on the best estimate of the forward price curves of such items (Level 2 and 3).

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

Derivatives embedded in other financial instruments or in other host contracts are recorded separately as derivatives only when their financial characteristics and inherent risks are not strictly related to the instruments in which they are embedded and the whole item is not being carried at fair value through profit or loss.

For accounting purposes, the operations are classified as follows:

## 1. Derivatives eligible for hedge accounting

### a. Fair value hedge

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

### b. Cash flow hedge

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

When options contracts are used to hedge forecast transactions, the Company only designates the intrinsic value of the options contract as the hedging instrument.

Amounts accumulated in equity are transferred to the income statement in the period in which the hedged item affects the gain or loss, as follows:

- The gain or loss relating to the effective portion of interest rate swaps is recognised in the financial expense at the same time as the interest expense in the hedged loans.
- When a hedging instrument covers a forecast transaction, the accumulated amounts remain in equity until the forecast transaction takes place. When the forecast transaction does not occur, the amount accumulated in equity is immediately reclassified to income for the period.

However, if this amount is a loss, and for an amount that is not expected to be recovered, it will be immediately reclassified in the income statement as a reclassification adjustment.

If the hedged item subsequently results in the recognition of an asset, the amount accumulated in equity will be recognised in the initial cost of the asset.

### c. Hedges of net foreign investments

The accounting treatment is similar to cash flow hedges. The variations in value of the effective part of the hedging instrument are carried in the balance sheet under “Value change adjustments”. The gain or loss from the non-effective part is recognised immediately under “Exchange differences” in the income statement. The accumulated amount of the valuation recorded under “Value change adjustments” is released to the income statement as the foreign investment that gave rise to it is sold.

## 2. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.



In addition, commodity derivatives not considered as hedges for accounting purposes are recorded in operating profit as they essentially constitute a hedge because of the match between the critical terms of the derivative and the hedged item.

### 3. Energy purchase and sale agreements

The Company enters into energy purchase and sale agreements in the ordinary course of its business. These agreements are executed and maintained in order to meet the needs of receipt or physical delivery of energy expected by the Company in accordance with regular energy purchase and sale estimates, which are monitored systematically and adjusted in all cases through physical delivery. Consequently, these agreements are for "own use" and therefore fall outside the scope of the standard on the valuation of financial instruments.

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

The Company classifies as assets held for sale those assets and related liabilities for which active measures have been initiated for their sale, which are available in their current conditions for sale, and which are very likely to be sold within the following twelve months.

Likewise, Naturgy classifies as assets held for distribution to shareholders all assets and related liabilities when it has a commitment to distribute the assets to shareholders. In this respect, the assets must be available in their current condition for distribution and the distribution must be highly probable, and therefore actions to complete the distribution must have been initiated and must be expected to be completed within one year from the date of classification.

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

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

### 3.7 Share capital and Reserves

Share capital is represented by ordinary shares.

Issuance costs of new shares or options, net of taxes, are deducted from equity as a reduction in reserves or the share premium account in the case of issuances with a share premium.

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

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

### 3.8 Share-based payments

Share-based payments settled in shares are valued on the basis of the fair value of the equity instruments granted on the grant date. In addition, the effects of changes that increase the fair value of share-based payment arrangements will be recognised.

As the services are rendered by the employees during the period necessary for the vesting of the incentive, their valuation is recognized under "Personnel expenses" in the income statement with a balancing entry under "Reserves" in the balance sheet.

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

### 3.9 Borrowings and equity instruments

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

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

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

#### 3.10 Provisions for employee benefits

##### a. Post-employment pension obligations and similar

###### – Defined contribution plans

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

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

The contributions made have been recognised under Personnel expenses in the income statement.

Additionally, there are employees who make voluntary contributions of part of their remuneration to an insurance policy, at no cost to Naturgy.

###### – Defined benefit plans

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

The liability recognised for the defined benefit pensions plans is the current value of the liability at the balance sheet date less the fair value of the plan-related assets. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The current value of the liability is determined discounting the estimated future cash flows at interest rates on bonds denominated in the currency in which the benefits will be paid and having similar maturities to those of the respective liabilities.

Actuarial losses and gains arising from changes in actuarial assumptions or from differences between assumptions and the actual situation are recognised in full in the period in which they arise, directly under Equity in Reserves.

Past service costs are recognised immediately in the Income statement under Personnel expenses.

##### b. Other post-employment benefit obligations

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

### c. Termination benefits

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

### 3.11 Provisions

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

Provisions are measured at the best estimate of the present value of the amount required to settle the obligation at the balance sheet date.

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

In contracts in which the obligations undertaken include unavoidable costs greater than the economic benefits expected to be received from them, the expenses and respective provisions are recognised in the amount of the current value of the existing difference. The unavoidable costs of the contract will reflect the lower net costs of terminating the contract, i.e. the lower of the cost of complying with the terms of the contract and the compensation derived from non-compliance.

### 3.12 Leases

#### a. Finance leases

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

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

#### b. Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are charged to the income statement on a straight-line basis over the lease term.

### 3.13 Corporate income tax

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

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

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

Deferred income tax assets and tax credits are recorded only when there are no doubts as to their future recoverability through the future taxable profits that can be used to offset temporary differences and implement the tax credits.

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

### 3.14 Recognition of income and expense

#### a. General

Revenue derived from contracts with customers is recognised based on compliance with performance obligations with customers.

Revenue reflects the transfer of goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for such goods or services.

Five steps are established for the recognition of revenue:

1. Identify the customer's contract(s).
2. Identify the performance obligations.
3. Determine the price of the transaction.
4. Allocate the transaction price to the performance obligations.
5. Recognise the revenue according to the fulfilment of each obligation.

Based on this recognition model, sales are recognised when products are delivered to the customer and have been accepted by the customer, even if they have not been invoiced, or if applicable, services are rendered, and it is probable that the economic benefits associated with the transaction will flow to the entity.

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

Sales are stated net of tax and discounts.

#### b. Other income and expenses

The holding of shares in Group companies and associates is deemed to be the Company's main ordinary activity from which regular revenue is obtained. In accordance with the approach taken by the Spanish Institute of Accounting and Auditing ("ICAC") in connection with the calculation of revenue in holding companies (ruling request number 2 in ICAC Official Gazette number 79), dividends from Group companies and associates, and interest received on loans granted to Group companies and associates, are recognised as "Revenue". Additionally, the item "Impairment and results on disposal of equity instruments of Group companies and associates" is included in "Operating profit/(loss)".

Revenue from contracts is recognised as control over the committed goods or services is transferred to the customer.

Revenue from commitments (generally provisions of services) that are fulfilled over time is recognised based on the degree of progress towards full compliance with the contractual obligations.

When, at a given date, the degree of completion of the obligation cannot be reasonably measured, the revenue and related consideration are recognised only to the extent of the costs incurred up to that date.

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

Dividend income is recognised when the right to collect the dividend is established. If the dividends are unequivocally derived from reserves generated prior to the acquisition, the value of the investment is adjusted.

### 3.15 Foreign currency transactions

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

### 3.16 Transactions between related parties

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

Notwithstanding the above, in mergers, de-mergers or non-cash contributions of a business, the assets that make up the acquired business are valued at the amount at which they are recognised after the operation takes place in the Group consolidate annual accounts.

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

### 3.17 Business combinations

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

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

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

### 3.18 Cash flow statement

The cash flow statement has been prepared using the indirect method and contains the following expressions and their respective meanings:

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

### 3.19 Significant accounting estimates and judgments

The preparation of annual accounts requires the use of estimates and judgments. The measurement standards that require a large number of estimates are set out below:

#### a. Impairment of investments in Group companies and associates (Note 3.3)

In accordance with applicable accounting regulations, the Company performs impairment tests on investments in Group companies and associates for which there is evidence of impairment. These impairment tests require an estimate of future business performance and the most appropriate discount rate in each case. The Company considers that the estimates made are appropriate and consistent with the current market environment.

Note 4 details the main assumptions used to determine the recoverable value of investments in Group companies and associates.

#### b. Derivatives and other financial instruments (Note 3.5)

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

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

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

#### c. Provisions for employee benefits (Note 3.10)

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

#### d. Provisions (Note 3.11)

The Company makes an estimate of the amounts to be settled in the future, including amounts relating to contractual obligations, business contracts, outstanding litigation or other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects, as well as the outcome of negotiations associated with gas supply contracts.

### e. Corporate income tax (Note 3.13)

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which the Company operates. Determining whether the tax authorities will accept a specific uncertain tax treatment and the expected outcome of pending litigation requires significant estimates and judgments. The Company evaluates the recoverability of the deferred income tax assets based on estimates of future taxable income. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

### f. COVID-19

In May 2023, the World Health Organisation announced that Covid-19 no longer constitutes a Public Health Emergency of International Concern, thereby initiating the transition to long-term management of the disease integrated into the control of acute respiratory infections.

Globally, and particularly in Spain, throughout 2023 the decreasing trend in Covid-related deaths and hospitalisations, the high immunity levels among the population, the low virulence of the successive variants of the disease and the improvement in the management of clinical cases have continued to be observed, resulting in a change in focus of the Covid-19 surveillance and control strategy.

However, Covid-19 has not ceased to be a threat to world health and the global economy, and the Group continues to monitor this risk in order to minimise the adverse effects on business that could be caused by any new outbreaks of the disease.

In making the estimates and assumptions necessary for the preparation of these annual accounts, the Group's forecasts for this risk have been considered.

### g. Climate change and the Paris Agreement

Naturgy's 2021-2025 Strategic Plan includes a number of goals set by the Group in order to comply with the objectives of the Paris Agreement to achieve climate neutrality by 2050 through the reduction of total emissions 1, 2 and 3, establishing intermediate targets aligned with the reduction paths 1.5°C - 2°C and with the Sustainable Development Goals (SDGs) of the United Nations. At the end of the Strategic Plan, the group's greenhouse gas emissions are expected to be reduced by 27% compared to 2017 (emissions of scope 1, 2 and 3).

In 2023, the reduction compared to 2017 has been 30% for total emissions of scope 1,2 and 3.

The key factors envisaged for achieving these goals include the following:

- No coal-fired electricity has been generated in 2023 or 2022 due to the closure in the first half of 2020 of all Naturgy's coal-fired power plants, which implies a significant reduction in Greenhouse Gas (GHG) emissions range 1 and other atmospheric pollutants.
- The Strategic Plan provides for investments in renewable energies, in particular in solar photovoltaic, onshore wind and storage technology, as well as the development of innovation projects for distributed generation, renewable biogas and hydrogen, and sustainable mobility that will reduce the company's carbon footprint in its three reaches.
- Additionally, investments are also envisaged to adapt existing grid infrastructures that will play an essential role in the energy transition.

These investments will contribute to the future objective of transforming the energy mix envisaged in the PNIEC 2021-2030 and endorsed in the draft PNIEC 2023-2030 for Spain, sent to the EU in June 2023, which is also aligned with the European objective of achieving climate neutrality in 2050 in the EU. For the rest of the countries in which it operates, the published national plans have been taken into account and in their absence the goal of achieving zero net emissions by 2050.

Information on the Group's decarbonisation strategy is disclosed in the 2023 Statement of Non-Financial Information, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which Naturgy has adhered and has been adopting since its publication in 2017.

At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has assumed monitoring responsibilities of the TCFD from 2024.

These annual accounts have been prepared taking into account the decarbonisation commitments undertaken by Naturgy, in addition to the risks and uncertainties related to climate change and the decarbonisation of the economy.

The main estimates and accounting judgements made by Naturgy's management and directors when preparing the 2023 annual accounts related to the expected effects of climate change and the energy transition are described below.

### **1. Recoverability of non-financial assets**

As detailed in Note 3.3, the cash flow projections used in the impairment tests for investments in Group companies and associates are based on the best available forward-looking information and reflect existing investment plans aimed at maintaining the operating capacity of the investees' CGUs.

These projections are in line with Naturgy's strategy that takes into consideration the objectives of the Paris Agreement and have therefore been prepared based on the range of economic conditions that might exist in the foreseeable future in relation to climate change and the energy transition. The projections have taken into account the expected impact on wholesale and retail electricity market prices resulting from the entry into operation of new renewable generation facilities and developments in gas, oil and emission allowance prices, as well as expected demand.

Regarding emission rights in Spain, Naturgy's thermal electricity generation installations are regulated by the European Emission Trading Directive. Naturgy carries out comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined cycle and cogeneration facilities, regulated by the European Emissions Trading Directive, Phase IV 2021-2030. This phase takes into account the CO2 emission reduction target of 55% by 2030 compared with 1990, in line with the 2050 goal of zero net emissions set out in the European Green Deal. For this supply, Naturgy actively participates in both the primary market, through auctions, and in the secondary market. These emissions relate mainly to the combined cycle gas plants in Spain and represent 84.1% of Naturgy's direct emissions (scope 1) in Spain in 2023.

The CO2 prices considered in the impairment test are detailed in Note 4.

The estimated cash flows for each CGU, as required by accounting regulations, take into account the current condition of the assets without considering future improvements and therefore do not include future investments due to technological changes or any strategic investments foreseen in the energy transition.

Naturgy will continue to update its operational plans and pricing outlook to take into account changes in the economic environment and the pace of the energy transition.

### **2. Company's main assets subject to climate change and energy transition risk**

Holdings in Group companies and associates that may be most affected by climate risk are as follows:

#### **Naturgy Generación Térmica, S.L.U.**

Following the closure of all Naturgy's coal-fired power plants in the first half of 2020, the group has not generated any coal-fired electricity. These facilities are fully depreciated/provisioned at 31 December 2023. During the year progress continued to be made on decommissioning, which is expected to be completed for all plants by the end of the first quarter of 2025.

It also includes the nuclear generation assets that this company holds through its shareholding in the Almaraz and Trillo joint ownership arrangement.



The assumptions and projections involving these facilities consider the possible effects on generation of the transition envisaged by the increase in renewable energy sources and their closure schedule, in accordance with the National Energy and Climate Plan (NECP).

At 31 December 2023, this holding has a carrying value of Euros 13 million.

#### Naturgy Ciclos Combinados, S.L.U.

The group's gas combined cycle power plants in Spain currently represent the most eco-efficient generation technology available to give the necessary support to renewable energies and allow their wide penetration, while ensuring security of supply, both key aspects of the energy transition.

In Spain, it is important to bear in mind that the operation of these plants is included in the Integrated National Energy and Climate Plan (PINIEC), approved for the period 2021-2030 and endorsed in the draft PNIEC 2023-2030 sent to Brussels in June 2023, aligned with the European objective of achieving climate neutrality by 2050, and that they are an essential factor in ensuring the growth of renewable energies in the national electricity system since they form the back-up for ensuring the electricity supply in the event of any lack of wind, sunlight or water.

At 31 December 2023, this holding has a carrying value of Euros 761 million.

A fluctuation in energy prices which is lower than envisaged in the assumptions used by Naturgy and indicated in Note 4 could have an impact on the recoverability of the carrying value of these assets recognised in the balance sheet at 31 December 2023. See the sensitivity analysis in Note 4 of these annual accounts.

#### Naturgy Generación, S.L.U.

The recoverable value of these assets could be affected by a larger than expected hypothetical future reduction in hydroelectricity due to climate change, particularly in run-of-river plants. The assumptions used in the impairment test on this holding includes developments in hydraulicity and their impact on hydrographic flows and therefore on production.

At 31 December 2023 the carrying value of this holding, which includes the hydroelectric generation assets in Spain, amounted to Euros 942 million.

#### Naturgy Renovables, S.L.U.

At 31 December 2023, this holding has a carrying value of Euros 2,041 million. The main perceived risk in this business is the potential negative future evolution of solar and wind resources, which are the key variables in the performance of this line of business. There may also be reductions in the remuneration arrangements for renewable energies and lower prices in marginal wholesale markets due to an increase in renewable production with reduced variable costs. In the impairment tests for 2023, no changes in the remuneration arrangements yet to be approved have been considered and the forecasts for solar and wind resources have been taken into account.

#### Shareholdings in electricity and gas distribution

At 31 December 2023, the shareholdings in Holding de Negocios Gas and Holding Negocios de Electricidad related to gas and electricity distribution in Spain had a carrying value of Euros 4,475 million and Euros 3,653 million, respectively. In addition, the interests in gas and electricity distribution in Latin America relating to Naturgy Distribución Latinoamérica and Naturgy Inversiones Internacionales have a carrying value of Euros 557 million and Euros 850 million, respectively.

These regulated assets are regarded as being resilient to the energy transition. Increases in temperature and a higher frequency of extreme weather events could lead to increased technical losses, deterioration in service quality levels, higher operating and maintenance costs and higher annual investments, albeit in volumes that can be easily assumed via the multi-year tariff reviews of these regulated businesses. The investment and response plans already in place, accumulated experience and network design (meshing and undergrounding of lines) would act as mitigating measures. A potential massive development of distributed generation would be partially offset by the increasing electrification of the economy (e.g. electric cars) and investments in smart grids.

Naturgy's planning for the coming years envisages the coexistence in Spain of natural gas demand with demand for biogas, biomethane and renewable hydrogen, including their distribution through the group's current infrastructures. It is estimated that the adaptation of existing networks for biomethane transportation will not require significant investments. In the case of hydrogen, the level of investment will depend on the percentage of blending which, together with the relevant regulations, will determine the viability of using the current infrastructure. It is estimated that for low percentages it will not be necessary to make significant investments to adapt the current network.

For gas transport and distribution assets in Argentina, Brazil, Chile and Mexico, the same strategy applied for Spain is envisaged although with a slower implementation and always in line with energy policies in each country.

### Shareholdings in supply companies

The Company records holdings with a carrying value of Euros 515 million in Gas Natural Comercializadora, S.A., Euros 494 million in Naturgy Iberia, S.A., and Euros 121 million in Comercializadora Regulada de Gas & Power . The impact of climate change and the energy transition on the supply business is considered to be minor, as the lower demand for natural gas could be offset by the higher growth that is expected to result from the electrification of the economy.

In terms of transition risks, the Company's current positioning, resulting from its investment focus on renewables and grids, provides it with favourable situation for facing these risks. Naturgy considers that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investment in smart integrating grids, transport electrification, green hydrogen, among others) outweigh the risks.

### 3. Recoverability of deferred tax assets

Sufficient taxable profits are expected to be generated within the planning period to ensure the recovery of the deferred tax assets recognised for accounting purposes at 31 December 2023. The estimate of the recoverability of these assets has been made using the same judgements and assumptions as those used to calculate the recoverable amount of investments in Group companies.

### 4. Regulation

The Paris Agreement has had a major impact on the development of new climate policies and the adoption of new regulations. The European Union (EU), having assumed the commitment to climate neutrality by 2050 and "The European Green Deal" which embodies the EU's new growth strategy, has approved various regulations in this area. Spain has also issued regulations relating to these matters, highlights the Law on Climate Change and Energy Efficiency 7/2021, so the regulation on climate change and energy transition rules are constantly evolving and could have negative future effects on the Company's activities.

### 5. Dividend payment

Climate change risks are not expected to affect the Company's capacity to pay dividends to shareholders due to strong cash generation and existing reserves.

In the case of regulated lines of business, a scenario in which the conditions for maintaining the current rate of investment continue to exist is compatible with the levels of dividend payments that may be observed to date. However, in the case of deregulated lines of business, their future capacity to pay dividends is difficult to foresee due to unknown risks and uncertainties that could cause actual results, performance or events to differ substantially from those envisaged in the Group's projections.

## h. Russia-Ukraine conflict, Middle East and economic environment

Almost two years after Russia invaded Ukraine in February 2022 the war has left a heavy death toll, as well as the displacement of a considerable part of the Ukrainian population across Europe and substantial damage to the country's infrastructure.

The direct effects of the war, as well as those stemming from the measures and sanctions imposed on Russia, have had serious consequences on a global economy that was beginning to recover from the effects of the pandemic, leading to increases in commodity prices, inflationary pressures, supply chain constraints and volatility in financial and commodity markets.

In the energy industry in particular, the war led to a worsening of the price scenario, the deterioration of which began to manifest itself at the end of 2021, while the Western powers imposed measures to suspend purchases of fossil fuels from Russia. Despite the turbulence in 2022, some moderation has been observed in 2023 due to high storage levels, increased supply and contained growth in demand.

Considering the scenario in question and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the crisis in order to manage potential risks. The analyses carried out aim to assess the indirect impacts of the conflict on business activity, the financial situation and economic performance, focusing particularly on the generalised increase in commodities prices and the reduced availability of material supplies from areas affected by the conflict.

In this context, as part of its diversified portfolio, Naturgy has a long-term gas supply contract of Russian origin concluded in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%), which is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. In fiscal years 2023 and 2022, Naturgy has received the volumes strictly established in the contract. In 2023, the volume under this contract accounted for 15% of Naturgy's global supply (14% in 2022).

Moreover, none of Naturgy's counterparties could be affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of these measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 14.

In addition to the new energy border with Russia, the conflict between Palestinians and Israelis has escalated recently following the terrorist attack on Israel in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

As this scenario is constantly evolving and as it is difficult to predict the extent or duration of the conflict's impact, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

## Note 4. Asset impairment

In the impairment test on investments in Group companies and associates, the recoverable amount is determined based on the cash flows of the CGUs to which they belong (Note 3.3).

At 31 December 2023 the cash-generating units (CGUs) are the same as at 31 December 2022, except for the combination of the International LNG and the Markets and Procurement CGUs due to the fact that a single management unit controls the operations and assets of these business lines. No impairment losses have been recognised or reversed in these CGUs at 31 December 2023 or 31 December 2022.

The New Business CGU has been renamed Renewable Gases, which includes the biomethane and green hydrogen assets. The remaining assets that were included in New Business at 31 December 2022 are now recorded in Other CGUs at 31 December 2023.

## – Distribution networks

- **Gas networks Spain:** Is a single CGU as the development, operation and maintenance of the gas distribution network is managed jointly.
- **Electricity networks Spain:** This makes up a single CGU since the network comprises a group of interrelated assets the development, operation and maintenance of which is managed jointly.
- **Latin American networks:** A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Argentina, Brazil, Chile and Mexico, and the regulated electricity distribution business in Argentina and Panama.

## – Energy Markets

- **LNG and Markets and Procurement:** A single CGU is considered to exist as the sale of liquefied natural gas and maritime transport are both managed on a global scale, as are supply and other gas infrastructures, and sales to large energy-intensive consumers.
- **Gas pipelines:** Includes the CGU that manages the Medgaz pipeline.
- **Thermal Generation Spain:** A single CGU is considered to exist for thermal power generation in Spain (nuclear and combined cycle).
- **Thermal Generation Latin America:** A thermal power generation CGU is understood to exist in each country in which there are operations (Mexico, Dominican Republic and Puerto Rico) since the businesses are subject to different regulatory frameworks and are managed independently.
- **Renewable Generation Spain:** One CGU is considered for renewable electricity generation (wind, mini-hydro, solar and cogeneration) and another CGU for hydroelectric power generation.
- **Renewable Generation United States:** CGUs are considered for those assets in the country where a generation of cash flows independent of others can be identified.
- **Renewable Generation Latin America:** A renewable power generation CGU is understood to exist in each country in which there are operations (Brazil, Costa Rica, Mexico, Panama and Chile) since the businesses are subject to different regulatory frameworks and are managed independently.
- **Renewable Generation Australia:** CGUs are considered to be those assets of the country in which a generation of cash flows independent of others can be identified.
- **Renewable Gases:** One CGU is considered which includes management of renewable gas projects, specifically biomethane and green hydrogen.
- **Supply:** The commercial management of natural gas, electricity and services is carried out on a comprehensive basis, maximising the value of the portfolio by focusing on customers and with high potential for growth in services and solutions, for which there is a single CGU.

The grouping of assets considered in the above CGUs has not changed since the previous estimate of their recoverable amount in June 2023.

## Information on tests performed

Naturgy has evaluated the recoverable value of holdings in Group companies and associates based on the Strategic Plan 2021-2025 approved by the Board of Directors and presented on 28 July 2021 and subsequently updated by the Board in July 2023, adapted for regulatory updates and energy variables, taking into account the investment plans that maintain the production capacity of the assets in the lines of business and the market conditions in which they operate. The time-frame of the projections has been extended to a period of ten years or the remaining useful life for certain assets and concessions. When estimating cash flows, various potential future scenarios have also been considered if they provide more relevant information for representing the future economic conditions of the assets.

The current macroeconomic environment has also been considered, resulting from a combination of effects mainly related to inflation, rising interest rates, geopolitical risks and uncertainties. Naturgy's management model ensures that any signs of deterioration that could arise as a result of the current macroeconomic environment are identified in a timely manner, allowing action to be taken accordingly.

In particular, the following aspects should be highlighted for their relevance in the tests:

### **Impact of the Ukraine and Middle East conflicts, and the economic environment (Note 3.19.h):**

Cash flows have taken into account the effects of developments in the international gas markets and the electricity market.

In Spain, in particular, the approval of regulations aimed at the gradual lifting of the measures introduced in early 2022 with the initial aim of addressing the transitory volatility of gas markets and high gas prices have been considered.

With regard to the economic environment, rising interest rates and increased risk perception have particularly affected discount rates which have increased with respect to previous years, while rising inflation has been factored into cash flows with mainly short-term repercussions.

### **Climate change impact:**

The projected cash flows represent Naturgy's current positioning to drive the energy transition and decarbonisation, responding to its strategy which includes the objectives of the Paris Agreement.

In particular, the assumptions considered for the pricing path used in the projections are in line with the energy transition, and the projected cash flows take into account greenhouse gas emission reduction targets as well as the impacts of climate change on the recoverability of non-financial assets. This is discussed in detail in Note 3.19.g.

## Information on recognised impairments (Note 7)

At 31 December 2023 a net income item for the reversal of impairment of holdings in Group companies and associates amounting to Euros 55 million has been recognised (Euros 1 million at 31 December 2022 as income from impairment reversal) under the heading "Impairment of and losses from equity instruments of Group companies and associates" in the income statement, detailed below:

	<b>31.12.2023</b>	31.12.2022
Naturgy Generación, S.L.U.	83	(5)
Naturgy Nuevas Energías, S.L.U.	7	(4)
General de edificios y solares, S.L.	3	—
Gas Natural Exploración, S.L.	1	1
Naturgy Participaciones, S.A.U	—	8
Lignitos de Meirama, S.A	—	(1)
Naturgy Engineering, S.L.	(1)	7
Naturgy LNG, S.L	(2)	(3)
Petroleum, Oil & Gas España, S.A.	(3)	1
Naturgy Informática, S.A.	(13)	(2)
Naturgy Commodities Trading, S.L	(21)	—
Other	1	(1)
<b>Total</b>	<b>55</b>	<b>1</b>

– **Naturgy Generación, S.L.U.:**

The reversal of the impairment charge for this holding, which relates to the Spain hydroelectric power generation CGU, amounts to Euros 83 million (impairment charge of Euros 5 million at 31 December 2022).

The assumptions and projections affecting the hydroelectric power generation CGU are based on the best forward-looking information available to date.

The assumptions taken into consideration are the following:

	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
Pool price €/MWh (*)	97.1	102.0	75.0	87.0	80.0	81.0	82.0	84.0	85.0	87.0

(\*) estimated amounts as of the date of the test

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

- Electricity generated. For the hydroelectric power generation CGU, developments in hydraulicity and their impact on hydrographic flows and therefore on production are taken into account.
- Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.
- The projected flows take into account the regulatory changes under RLD 8/2023, the most significant being as follows:
  - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.
  - The gradual phasing in of the 7% electricity production value tax until its full implementation by 30 June 2024.
  - The unitary values for financing the energy subsidy ("bono social") in 2024.
  - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
  - The measures envisaged to regulate water impounded for hydroelectric use.

- Operating and maintenance costs. Estimated from historical costs of the managed park.

Accumulated impairment at 31 December 2023 relating to the holding in Naturgy Generación S.L.U. amounts to Euros 2,108 million (Euros 2,191 million at 31 December 2022).

– **Naturgy Nuevas Energías, S.L.U.:**

An impairment reversal of Euros 7 million has been recorded. The accumulated impairment at 31 December 2023 is Euros 5 million (Euros 12 million at 31 December 2022). In 2022, as a result of the contribution described in Note 7, the provision for future risks amounting to Euros 6 million recorded under "Other long-term provisions" was reclassified to the provision for impairment of investments in Group companies.

– **General de edificios y solares, S.L.:**

An impairment reversal of Euros 3 million has been recorded. The accumulated impairment at 31 December 2023 is Euros 6 million (Euros 9 million at 31 December 2022).

– **Gas Natural Exploración, S.L.:**

At 31 December 2023, this holding has been derecognised following the liquidation of the company in October 2023 (Note 7). Prior to its liquidation, an impairment reversal of Euros 1 million was recorded in 2023. The accumulated impairment written off at the liquidation date amounted to Euros 212 million.

– **Other:**

Relates to the reversal of impairment of holdings in group companies amounting to Euros 1 million.

Impairments were also recognised for the following holdings in 2023:

– **Naturgy Commodities Trading, S.A.:**

An impairment charge of Euros 21 million has been recorded for the holding in Naturgy Commodities Trading, S.A. in 2023. Accumulated impairment at 31 December 2023 amounts to Euros 21 million (no accumulated impairment in 2022).

– **Naturgy Informática, S.A.:**

An impairment charge of Euros 13 million has been recorded for the holding in Naturgy Informática, S.A. in 2023. The accumulated impairment at 31 December 2023 amounts to Euros 170 million (Euros 157 million in 2022).

– **Petroleum Oil&Gas España, S.A.:**

An impairment charge of Euros 3 million has been recorded. The accumulated impairment at 31 December 2023 relating to the holding in Petroleum Oil&Gas España, S.A. amounts to Euros 76 million (Euros 73 million in 2022).

– **Naturgy LNG, S.L.:**

At 31 December 2023, this holding has been derecognised following the liquidation of the company in December 2023 (Note 7). Prior to its liquidation an impairment amounting to Euros 2 million was recognised in 2023. The accumulated impairment written off at the liquidation date for the company amounted to Euros 64 million.

– **Naturgy Engineering, S.L.:**

An impairment charge of Euros 1 million has been recorded for the holding in Naturgy Engineering, S.L. The accumulated impairment at 31 December 2023 amounts to Euros 6 million (Euros 5 million at 31 December 2022).

## Information on other impairment tests performed:

As regards the remaining shareholdings in Group companies and associates at 31 December 2023 and 31 December 2022 the recoverable amounts, calculated according to the methodology described in Note 3.3, were higher than the carrying amounts of holdings in Group companies recorded in these annual accounts.

The most sensitive matters included in the impairment tests updated to 31 December 2023 are as follows:

### Gas and Electricity Networks Spain:

- Remuneration. Amount and growth of remuneration. In relation to the regulatory framework, the future cash flows of these business lines have been reviewed taking into account the publications by the regulator in 2023, 2022, 2021 and 2020 on the remuneration methodology for the regulated electricity and gas distribution activity.
- Operation and maintenance costs. Estimated on the basis of the historical cost of the network managed.
- Investments. Considering the investments required to maintain the regular use of the network and the quality of supply, as well as the digitalisation of electricity networks and the estimated investment in line with sector requirements and the digital transition in the operation of gas networks.
- In the case of LPG distribution assets, as there is evidence of impairment a fair value estimate has been considered to determine the recoverable amount of these assets.

**Latin American networks:** for gas network CGUs in Brazil, Chile, Argentina and Mexico and electricity network CGUs in Argentina and Panama:

- Variations in rates. Valuation of rates in each country, based on existing regulatory conditions and rate reviews, taking into account the experience gained from previous rate reviews in each country.
- Cost of raw materials and consumables. Estimated on the basis of predictive modelling based on an understanding of energy markets in each country. Additional consideration has been given to the implications for distributors of new regulations in the countries arising from volatility in gas and electricity prices.
- Operation and maintenance costs. Estimated on the basis of the historical cost of the network managed.
- Investments. Taking into account the necessary investments to maintain the regular use of the network and supply quality and safety.

### Thermal generation Spain:

The assumptions and projections affecting this CGU have been based on the best forward-looking information available to date, generally considering the possible effects on generation of the transition expected due to the increase in renewable energy sources set out in the rules on the NECP in force and endorsed by the recent draft pending approval by the EU, in the Climate Change and Energy Transition 7/21 Law. The above-mentioned projections reflect a production path based on the NECP projections, which envisage the need for the total installed capacity of the combined cycle generation units in the projection timeframe (2032).

The assumptions taken into consideration are the following:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Pool price €/MWh (*)	97.1	102.0	75.0	87.0	80.0	81.0	82.0	84.0	85.0	87.0
Brent (USD/bbl) (*)	82.0	79.1	78.0	79.0	78.0	81.0	84.0	91.0	93.0	95.0
Gas Henry Hub (USD/MMBtu) (*)	3.0	3.5	4.0	4.4	4.4	4.7	4.5	4.4	4.5	4.7
PVB (€/MWh) (*)	45.7	48.7	41.6	34.0	31.0	29.0	30.0	32.0	33.0	34.0
CO2 €/t (*)	85.8	95.0	95.8	97.0	101.0	105.0	111.0	117.0	120.0	126.0

(\*) estimated amounts as of the date of the test



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

- Electricity generated. The trend in demand has been estimated on the basis of projections by the CNMC and analysts, also considering existing contracts with Naturgy's suppliers. The share has been estimated on the basis of Naturgy's market share in each technology and the expected performance of each technology's share in the total market, in line with the expected future evolution of the generation mix, maintaining the forecast decline in thermal production, offset by a mechanism that remunerates the firm capacity provided, which is expected to be established when the market penetration of renewable energy increases.
- Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.
- The projected flows take into account the regulatory changes under RDL 8/2023, the most significant being as follows:
  - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.
  - The gradual phasing in of the 7% electricity production value tax until its full implementation by 30 June 2024 and the gradual increase in VAT on gas from 5% to 21% as from 1 April 2024.
  - The unitary values for financing the energy subsidy ("bono social") in 2024.
  - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
- Fuel costs. Estimated on the basis of market prices.
- Operation and maintenance costs. These costs have been estimated on the basis of the historical costs of managed facilities and the business plans of the nuclear power plants.
- On 11 and 17 October 2023, the Supreme Court issued rulings partially upholding the appeals filed by Naturgy Generación S.L.U. against the rejection of the requests for the closure of ten gas combined cycle plants filed in 2017 and 2019. Through these rulings, the Supreme Court authorized Naturgy to shut down temporarily, leaving the final decision on the temporary shutdown of these facilities under Naturgy's control. At the date of authorisation of these annual accounts, Naturgy has not decided on the shutdown of these plants and, therefore, this fact was not considered in the impairment tests for 2023.

### **Thermal generation Latin American:**

For thermal electricity generation CGUs in Mexico and the Dominican Republic:

- Thermal generation in Mexico is carried out over most of its useful life under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables. In the Dominican Republic and Mexico, upon termination of the contracts energy prices are set based on the market and are estimated on the basis of developments in the country's energy scenario, including the foreseeable evolution of the generation pool and taking into account expected supply and demand, and production costs.
- Operating and maintenance costs. Estimated from historical costs of the managed park.
- When updating the recoverable value of the combined cycle plants in Mexico, the relevant assumptions have included the increase in permits for developing renewable energy installations, which will affect the market price used in the projections on the finalisation of the long-term contracts for energy sales to the Federal Electricity Commission (CFE).

- The delivery of emission allowances equivalent to the tonnes of CO2 emitted. Until 2026, the allocation of free allowances, as provided in the draft ETS Baseline, is expected to cover projected emissions in accordance with production projections.

From 2027 onwards, although the criteria for the free allocation of allowances and the emissions reduction pathway that will be required have not yet been defined, it is expected that the emissions generated will be covered by the free allocation and when this is not sufficient or the free allocation is discontinued, CO2 costs will be transferred to selling prices as an additional operating cost, similar to the case in the European market.

In the case of the Puerto Rico Generation CGU:

- The main estimates considered in the flows generated relate to the contract with Puerto Rico Electric Power Authority (PREPA), which will remain in force until the end of 2032.

### **Renewable Generation Spain:**

The assumptions and projections affecting the Renewable Power Generation CGU are based on the best forward-looking information available to date.

In the case of Renewable Generation Spain, the fair value less sales costs is considered to be the best estimate of the recoverable value, so its valuation includes the necessary flows that market participants would take into account when setting the value of the generation. CGU using the present value technique. The determination of the fair value has been made based on external sources of information and the company's estimate is therefore a level 3 estimate.

The assumptions concerning changes in the pool price coincide with those considered in the Thermal Generation Spain CGU.

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

- Electricity generated. For the Renewable power generation CGU, projections of hours of operation of each park consistent with their historical output and predictions based on historical records of similar parks have been used when there were no historical data. In addition, the increase in output due to the planned hybridisations and repowering of existing facilities has been taken into account.
- Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.
- The projected flows take into account the regulatory changes under RDL 8/2023 and others, the most significant being as follows:
  - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.
  - The gradual phasing-in of the 7% tax on the value of electricity production until its full implementation by 30 June 2024.
  - The unitary values for financing the energy subsidy ("bono social") in 2024.
  - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
  - Cogeneration remuneration. This establishes the estimate of prices involved in updating the operation's remuneration in the first half of 2024.

- The measures envisaged to regulate water impounded for hydroelectric use.
- Remuneration. For the renewable generation CGU facilities entitled to specific remuneration, the remuneration has been estimated on the basis of the remuneration parameters for the established regulated income period. Specifically, Order TED/741/2023 has been considered, which updated the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the regulatory semi-period 2023-2025.
- Operating and maintenance costs. Estimated from historical costs of the managed park.
- Investments. The investments required to maintain the regular use of the facilities are taken into account. In addition, for the calculation of fair value less sales costs, the investments needed for the repowering and hybridisation of installations currently in operation are also included.

#### **Renewable Generation United States:**

In 2023, the development of a portfolio of more than 30 projects based on solar technology and storage continued to be managed, and in December energy started being fed into the grid from the 300 MW 7vSolar Ranch facility in Texas.

In 2023, as a result of the measures adopted in the USA concerning components for photovoltaic plants from China and inflation which increased construction costs, the performance of these assets has been below expectations, giving rise to the recording of the impairment in two of the parks under development, without impact on the holding of the company Naturgy Renovables, S.L.U.

In addition, as part of project management the acquired portfolio has been analysed and projects acquired with a low probability of realisation have been impaired, mainly due to difficulties in interconnection and in obtaining licences.

#### **Renewable Generation Latin America:**

Includes the Brazil, Costa Rica, Mexico, Panama and Chile electricity generation CGUs.

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

- Electricity price: Renewable electricity generation in Latin America is managed under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables.
- Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.
- In the case of Renewables Chile, due to the situation in the electricity market in Chile the company Ibereólica Cabo Leones II S.A. requested the suspension of the long-term electricity sale contract, and it was suspended as a market operator as from 8 October 2022 due to its failure to comply with the long-term contract. On 12 July 2023 the company was authorised to re-enter the market and payments that had been withheld in favour of the company were released. Following its re-entry there was a considerable improvement compared with the period before its market exclusion as the price mismatches between the system nodes had narrowed, due among other reasons to improved hydraulicity and the relative stabilisation of fossil fuel prices leading to a reduction in prices at the nodes most dependent on these generation sources.

However, structural problems stemming from deficits in the transmission networks and diversity in the generation mix at each node are still present.

**Renewable Generation Australia:**

- Electricity generation in Australia is carried out over most of its useful life under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables. Upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy scenario, including the foreseeable evolution of the generation pool and taking into account expected supply and demand, and production costs.
- Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.

**Supply:**

- Supply margin. Forecasts concerning trends in customer numbers and demand have been used, considering unitary margins based on the contracts concluded and estimates of these figures in the contract renewals.
- The projected flows take into account the regulatory changes under RLD 8/2023, the most significant being as follows:
  - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.
  - The unitary values for financing the energy subsidy (“bono social”) in 2024.
  - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
  - Extension of reduced VAT on gas and electricity, but with a gradual increase in rates.
  - The ban on cutting off gas and electricity supplies to vulnerable customers has been maintained until 30 June 2024.
  - The 15% limit on the increase in the cost of raw materials for price revisions in regulated gas tariffs has been extended.

**Discount rates and growth rates used**

The pre-tax discount rates and the growth rates considered for 2023 and 2022, calculated as indicated in Note 3.19, are as follows:

<b>Discount rate</b>	<b>2023</b>	<b>2022</b>
<b>Distribution Networks</b>		
Gas and Electricity Distribution Spain	7 %-7,4 %	6,4 %-6,7 %
Gas and Electricity Distribution Latin America	10,2 % - 25,1 %	8,9 % - 22,8 %
Gas Distribution Argentina (1)	25.1 %	22.8 %
<b>Energy Markets</b>		
Thermal Generation Spain	9.0 %	8.2 %
Thermal Generation Latin America	10,2%-13,1 %	10,2%-13,1 %
Renewable Generation Spain	7.8 %	7.1 %
Hydroelectric Generation Spain	8.4 %	6.8 %
Latin America Renewables	10,2 %-17,7 %	9,8 %-16,4 %
Australia Renewables	9.3 %	8.8 %
USA Renewables	7.4 %	6.5 %
Renewable Gases	8.5 %	7.8 %
Supply	8.3 %	7.4 %

(1) Rate determined in USD

<b>Growth rate</b>	<b>2023</b>	<b>2022</b>
Distribution networks		
Gas and Electricity Distribution Spain	1,5 %-2,0 %	1,0 %-2,0 %
Gas and Electricity Distribution Latin America	2,1%-14,5%	2,1 %-12,6 %
Gas Distribution Argentina	14.5 %	12.6 %
Energy Markets		
Thermal Generation Spain	2.0 %	2.0 %
Thermal Generation Latin America	2,0%-2,1%	2.0 %
Renewable Generation Spain	2.0 %	2.0 %
Hydroelectric Generation Spain	2.0 %	2.0 %
Latin America Renewables	2,1 %-3,2 %	2,1 %-3,3 %
Australia Renewables	2.1 %	2.9 %
USA Renewables	2.1 %	2.1 %
Renewable Gases	2.0 %	2.0 %
Supply	(0.3)%	0.3 %

## Sensitivity analysis

A sensitivity analysis has been carried out for holdings in Group companies, where their carrying amount coincides with the results of the impairment tests described above. The variation of its key assumptions has been considered independently and the impact on the recoverable value of the interests in Company's holdings in Group companies is as follows:

**Naturgy Generación, S.L.U.:** the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail an increase in the portfolio provision of Euros 39 million.
- a decrease in the growth rate of 50 basis points would entail an increase in the portfolio provision of Euros 3 million.
- a decrease in electricity output of 5% would entail an increase in the portfolio provision of Euros 68 million.
- a decrease in the average electricity price over the remaining life of the facility of 1 euro/MWh would entail an increase in the portfolio provision of Euros 15 million.

For the remaining holdings in Group companies an associates, in 2023 the Company carried out a sensitivity analysis on the unfavourable variations which, drawing on historical experience, could reasonably impact the aforementioned sensitive parameters on the basis of which the recoverable amounts have been determined. Specifically, the most significant sensitivity analyses performed were as follows:

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

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

## Note 5. Intangible assets

This heading breaks down as follows:

	Patents, licences, trademarks and other	Computer software	Subtotal	Goodwill	Total
Cost	1	6	7	815	822
Accumulated amortisation	—	(5)	(5)	(815)	(820)
<b>Carrying value at 1.1.2022</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>—</b>	<b>2</b>
Investment	—	1	1	—	1
Amortisation charge	—	(1)	(1)	—	(1)
<b>Carrying value at 31.12.2022</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>—</b>	<b>2</b>
Cost	1	2	3	815	818
Accumulated amortisation	—	(1)	(1)	(815)	(816)
<b>Carrying value at 1.1.2023</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>—</b>	<b>2</b>
Amortisation charge	(1)	—	(1)	—	(1)
<b>Carrying value at 31.12.2023</b>	<b>—</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>1</b>
Cost	1	1	2	815	817
Accumulated amortisation	(1)	—	(1)	(815)	(816)
<b>Carrying value at 31.12.2023</b>	<b>—</b>	<b>1</b>	<b>1</b>	<b>—</b>	<b>1</b>

Goodwill derived from the vertical merger of Unión Fenosa, S.A. completed in 2009 and was attributable to the benefits and synergies arising from the integration with Naturgy. It has been fully amortised since 2019.

In 2023, fully amortised software licences were derecognised for Euros 1 million (Euros 5 million in 2022)

## Note 6. Property, plant and equipment

Set out below is an analysis showing movements in Property, plant and equipment during 2023 and 2022:

	Land and buildings	Other property, plant and equipment	Total
Cost	169	25	194
Accumulated amortisation	(71)	(13)	(84)
<b>Carrying value at 1.1.2022</b>	<b>98</b>	<b>12</b>	<b>110</b>
Investment	2	1	3
Amortisation charge	(10)	(1)	(11)
<b>Carrying value at 31.12.2022</b>	<b>90</b>	<b>12</b>	<b>102</b>
Cost	161	24	185
Accumulated amortisation	(71)	(12)	(83)
<b>Carrying value at 1.1.2023</b>	<b>90</b>	<b>12</b>	<b>102</b>
Investment	2	2	4
Amortisation charge	(8)	(1)	(9)
<b>Carrying value at 31.12.2023</b>	<b>84</b>	<b>13</b>	<b>97</b>
Cost	162	26	188
Accumulated amortisation	(78)	(13)	(91)
<b>Carrying value at 31.12.2023</b>	<b>84</b>	<b>13</b>	<b>97</b>

Fully depreciated assets related to buildings and amounting to Euros 1 million were derecognised in 2023 (Euros 12 million at 31 December 2022, of which Euros 10 million related to buildings).

Property, plant and equipment includes fully depreciated assets in use at 31 December 2023 amounting to Euros 21 million, of which Euros 12 million relates to buildings (Euros 19 million in 2022, of which Euros 11 million related to buildings).

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

At 31 December 2023 and 31 December 2022, the Company had no investment commitments.

## Note 7. Investments in Group companies and associates

The classification of investments in Group companies and associates by category at 31 December 2023 and 31 December 2022 is as follows:

At 31.12.2023	Financial assets at cost	Financial assets at amortised cost	Total
Equity instruments	15,882	—	15,882
Loans	—	13,997	13,997
<b>Non-current</b>	<b>15,882</b>	<b>13,997</b>	<b>29,879</b>
Loans	—	291	291
Other financial assets	—	3	3
<b>Current</b>	<b>—</b>	<b>294</b>	<b>294</b>
<b>TOTAL</b>	<b>15,882</b>	<b>14,291</b>	<b>30,173</b>

At 31.12.2022	Financial assets at cost	Financial assets at amortised cost	Total
Equity instruments	14,960	—	14,960
Loans	—	13,997	13,997
<b>Non-current</b>	<b>14,960</b>	<b>13,997</b>	<b>28,957</b>
Loans	—	292	292
Other financial assets	—	2	2
<b>Current</b>	<b>—</b>	<b>294</b>	<b>294</b>
<b>TOTAL</b>	<b>14,960</b>	<b>14,291</b>	<b>29,251</b>

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

	Holdings in group companies	Loans to group companies	Holdings in associates	Total
<b>Balance at 01.01.2022</b>	<b>16,134</b>	<b>15,146</b>	<b>4</b>	<b>31,284</b>
Additions	391	5	—	396
Divestments	(1,564)	(26)	—	(1,590)
Reclassification	(6)	(1,128)	—	(1,134)
Charge/reversal provisions	1	—	—	1
<b>Balance at 31.12.2022</b>	<b>14,956</b>	<b>13,997</b>	<b>4</b>	<b>28,957</b>
Additions	935	1	—	936
Divestments	(68)	(11)	—	(79)
Reclassification	—	10	—	10
Charge/reversal provisions	55	—	—	55
<b>Balance at 31.12.2023</b>	<b>15,878</b>	<b>13,997</b>	<b>4</b>	<b>29,879</b>

The main corporate transactions carried out by the Company were as follows:

## 2023

- Cash contribution in a capital increase by Naturgy Renovables, S.L.U. in the amount of Euros 900 million through the capitalisation of receivables.
- Cash contribution to offset losses incurred by Naturgy Commodities Trading,S.A. in the amount of Euros 24 million.
- Cash contribution to offset losses incurred by Naturgy Nuevas Energías, S.L.U. in the amount of Euros 5 million, yet to be disbursed at 31 December 2023.
- Cash contribution to offset losses incurred by Naturgy Nuevos Clientes, S.A. in the amount of Euros 3 million.
- Cash contribution to offset losses incurred by Petroleum Oil&Gas España, S.A. in the amount of Euros 2 million.
- Part of the dividend payment was recorded as a decrease in the carrying value of Holding Negocios de Electricidad, S.A., in the amount of Euros 25 million.
- Liquidation of Gas Natural Exploración, S.A. with no impact on results. The holding was derecognised in the amount of Euros 10 million.
- Liquidation of Naturgy LNG, S.L. with no impact on results. The holding was derecognised in the amount of Euros 33 million.
- Acquisition of a holding in Naturgy Comercializadora Empresas, S.A. and others for Euros 1 million.

## 2022

- Cash contribution to offset losses incurred by Gas Natural Comercializadora, S.A. in the amount of Euros 321 million.
- Cash contribution to offset losses incurred by Naturgy Informática, S.A. in the amount of Euros 19 million.
- Cash contribution to offset losses incurred by Naturgy Nuevas Energías, S.L.U. in the amount of Euros 14 million.
- Acquisition from Naturgy Ciclos Combinados, S.L. of a holding in La Propagadora del Gas, S.A. for Euros 12 million.
- New subscription of shares in Naturgy InnovaHub, S.A. for an amount of Euros 1 million.
- Cash contribution to offset losses incurred by Petroleum Oil&Gas España, S.A. for Euros 1 million.
- The distribution of a supplementary dividend for 2021 amounting to Euros 64 million was recorded as a decrease in the carrying amount of the holding in Naturgy Generación, S.L.U.
- Part of the distribution of the share premium was recorded as a decrease in the carrying value of the interest in Holding Negocios de Gas, S.A., in the amount of Euros 245 million.
- Part of the distribution of the share premium was recorded as a decrease in the carrying value of the interest in Holding Negocios de Electricidad, S.A., in the amount of Euros 167 million.
- Part of the distribution of a supplementary dividend for 2021 and the share premium, amounting to Euros 94 million, was recorded as a decrease in the carrying amount of the holding in Naturgy Inversiones Internacionales, S.A.



- After achieving a 100% shareholding in Unión Fenosa Gas (UFG) as a result of the operation carried out in 2021, on 4 October 2022 the merger plan for the absorption of Unión Fenosa Gas, S.A. by Naturgy Aprovisionamientos, S.A. was approved. The date from which the operations of the target company were considered to be carried out by the acquiring company was 1 January 2022.

The Company, as the sole shareholder of both these companies, approved the simplified merger operation and recorded its impact on the relevant equity holdings. As a result of the dissolution without liquidation of UFG and the transfer en bloc of all its assets and liabilities to Naturgy Aprovisionamientos, S.A., the interest in UFG was derecognised and the increase in value of the interest in Naturgy Aprovisionamientos, S.A. was recorded at the value of the absorbed company's net assets in the consolidated balance sheet under the Rules on the Preparation of Consolidated Annual Accounts (NOFCAC). These movements in shareholdings resulted in a decrease of Euros 971 million in "Other reserves" in the balance sheet. The carrying value of the holding in Naturgy Aprovisionamientos, S.A. following the merger was Euros 408 million at 31 December 2022.

- Cash contribution of Euros 23 million to offset losses incurred by Naturgy Almacenamientos Andalucía, S.A., a company which carried out the regulated activity of underground gas storage, and subsequent sale of 100% of the holding under an agreement concluded in November 2021 with a third party, giving rise to a Euros 5 million loss recorded under the heading "Gain/(loss) on disposals of equity interests in Group companies and associates".

The cumulative provision for the impairment of shareholdings in Group companies and associates totals Euros 2,423 million at 31 December 2023 (Euros 2,753 million at 31 December 2022), relating basically to the following companies (Note 4):

	<b>2023</b>	2022	Variation
Naturgy Generación, S.L.U.	2,108	2,191	(83)
Gas Natural Exploración, S.L.	—	213	(213)
Naturgy Informática, S.A.	170	157	13
Petroleum, Oil & Gas España, S.A.	76	73	3
Naturgy LNG, S.L.	—	62	(62)
Lignitos de Meirama, S.A.	30	30	—
Naturgy Nuevas Energías, S.L.U.	5	12	(7)
General de Edificios y Solares, S.L.	6	9	(3)
Naturgy Engineering, S.L.	6	5	1
Naturgy Commodities Trading, S.A.	21	—	21
Other	1	1	—
<b>Total</b>	<b>2,423</b>	<b>2,753</b>	<b>(330)</b>

Financial income for dividends received from investments in equity instruments of group companies and associates during 2023 and 2022, relates to the following companies:

	<b>2023</b>	2022
Naturgy Aprovisionamientos, S.A.	537	—
Holding Negocios Electricidad, S.A.	232	201
Naturgy Distribución Latinoamérica S.A.	194	252
Gas Natural Comercializadora, S.A.	100	—
Holding Negocios Gas, S.A.	80	276
Naturgy Iberia, S.A.	23	—
Naturgy Generación Térmica, S.L.U.	16	—
Naturgy Finance, B.V.	4	4
Naturgy Capital Markets, S.A.	1	1
Naturgy Inversiones Internacionales, S.A.	—	342
Unión Fenosa Gas, S.A.	—	137
Naturgy Ciclos Combinados, S.L.U.	—	113
Sagane, S.A.	—	76
Global Power Generation, S.A.U.	—	71
Other	—	1
<b>Total</b>	<b>1,187</b>	<b>1,474</b>

### Gain/(loss) on disposals of equity interests in Group companies and associates

Based on the purchase and sale agreement concluded in March 2021 between Naturgy and ENI S.p.a. on the acquisition of 50% of the holding in Unión Fenosa Gas (UFG) such that Naturgy achieved a 100% holding, and in which the possible contingencies incurred by UFG are borne proportionally by both parties, in March 2023 the Company received income of Euros 4 million relating to this compensation.

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

Data at 31 December 2023 (*)												
Company	Registered Office	Activity	Carrying value 2023	% interest			Equity					EQUITY
				Direct	Indirect	Total	Capital	Reserves (1)	Profit/(loss)	Interim dividend	Other (2)	
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	408	100.0	—	100.0	1	592	205	—	(21)	777
Sagane, S.A.	Spain	Gas supply	42	100.0	—	100.0	95	17	(9)	—	—	103
Naturgy Comercializadora Empresas, S.A.U.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Naturgy LNG GOM, S.L.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	515	100.0	—	100.0	3	442	127	—	(36)	536
Comercializadora Regulada, Gas & Power, S.A.	Spain	Gas and electricity supply	121	100.0	—	100.0	2	43	18	—	4	67
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	14	100.0	—	100.0	11	27	(24)	—	—	14
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	494	100.0	—	100.0	3	218	121	—	—	342
Naturgy Clientes, S.A	Spain	Gas and electricity supply	4	100.0	—	100.0	—	3	(2)	—	—	1
Holding Negocios Electricidad, S.A.	Spain	Electricity distribution	3,653	100.0	—	100.0	—	3,417	7	—	—	3,424
Holding de Negocios de Gas, S.A.	Spain	Gas distribution	4,475	80.0	—	80.0	—	5,472	312	—	—	5,784
Naturgy Generación, S.L.U.	Spain	Electricity generation	942	100.0	—	100.0	732	125	83	—	1	941
Naturgy Renovables, S.L.U.	Spain	Electricity generation	2,041	100.0	—	100.0	113	1,301	30	—	15	1,459
Global Power Generation, S.A.	Spain	Electricity generation	648	75.0	—	75.0	20	670	146	—	75	911
Toledo PV A.I.E.	Spain	Electricity generation	—	33.3	—	33.3	—	—	1	—	—	1
La Propagadora del Gas	Spain	Electricity generation	12	100.0	—	100.0	10	2	—	—	—	12
Naturgy Ciclos Combinados, S.L.U	Spain	Electricity generation	761	100.0	—	100.0	320	611	157	—	—	1,088
Naturgy Generación Térmica, S.L	Spain	Electricity generation	13	100.0	—	100.0	—	24	26	—	2	52
Petroleum, Oil & Gas España, S.A.	Spain	Gas infrastructures	2	32.3	67.7	100.0	4	10	(8)	—	—	6
Liginitos de Meirama, S.A.	Spain	Mining	16	100.0	—	100.0	23	(7)	—	—	—	16
Natural Re, S.A.	Luxembourg	Insurance	9	100.0	—	100.0	5	54	(16)	—	16	59
General de Edificios y Solares, S.L.	Spain	Services	57	100.0	—	100.0	34	20	3	—	—	57
Naturgy Capital Markets, S.A.	Spain	Financial services	—	100.0	—	100.0	—	—	1	—	—	1
Naturgy Finance, B.V.	Netherlands	Financial services	7	100.0	—	100.0	—	5	3	—	—	8
Naturgy Participaciones, S.A.	Spain	Financial services	110	100.0	—	100.0	—	132	(2)	—	—	130
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	—	100.0	—	100.0	—	1	—	—	—	1
Naturgy Informática, S.A.	Spain	IT services	5	100.0	—	100.0	20	(2)	(13)	—	—	5
Naturgy Innovahub, S.L.U.	Spain	IT services	1	100.0	—	100.0	2	—	(1)	—	—	1
Naturgy Engineering, S.L.	Spain	Engineering services	15	100.0	—	100.0	—	15	—	—	(1)	14
Naturgy Ingeniería Nuclear, S.L.	Spain	Engineering services	1	100.0	—	100.0	—	1	—	—	—	1
Naturgy Distribución Latinoamérica, S.A.	Spain	Holding company	557	100.0	—	100.0	402	165	156	—	—	723
Naturgy Nuevas Energías, S.L.U.	Spain	Services	16	100.0	—	100.0	2	7	(5)	—	—	4
Naturgy Infraestructuras EMEA, S.L.	Spain	Holding company	89	100.0	—	100.0	—	212	21	—	—	233
Naturgy Inversiones Internacionales, S.A.	Spain	Holding company	850	100.0	—	100.0	250	201	51	—	(144)	358
<b>TOTAL</b>			<b>15,878</b>									

(1) Includes the share premium, reserves, prior-year losses, contributions and retained earnings.

(2) Includes value change adjustments, other equity instruments and grants, donations and bequests.

(\*) Financial statements updated according to the latest information available

Data at 31 December 2022 (*)												
Company	Registered Office	Activity	Carrying value 2022	% interest			Equity					EQUITY
				Direct	Indirect	Total	Capital	Reserves (1)	Profit/(loss)	Interim dividend	Other (2)	
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	408	100.0	—	100.0	1	655	474	—	(37)	1,093
Naturgy LNG, S.L.	Spain	Gas supply	35	100.0	—	100.0	2	36	(1)	—	(2)	35
Sagane, S.A.	Spain	Gas supply	42	100.0	—	100.0	95	22	18	—	—	135
Unión Fenosa Gas, S.A.	Spain	Gas supply	—	—	—	—	—	—	—	—	—	—
Naturgy LNG GOM, S.L.	Spain	Gas supply	—	100.0	—	100.0	—	—	—	—	—	—
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	515	100.0	—	100.0	3	11	532	—	4	550
Comercializadora Regulada, Gas & Power, S.A.	Spain	Gas and electricity supply	121	100.0	—	100.0	2	7	37	—	2	48
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	11	100.0	—	100.0	11	17	(14)	—	—	14
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	494	100.0	—	100.0	3	208	33	—	5	249
Naturgy Clientes, S.A	Spain	Gas and electricity supply	—	100.0	—	100.0	—	—	—	—	—	—
Holding Negocios Electricidad, S.A.	Spain	Electricity distribution	3,678	100.0	—	100.0	—	3,417	258	—	—	3,675
Holding de Negocios de Gas, S.A.	Spain	Gas distribution	4,475	80.0	—	80.0	—	5,385	186	—	—	5,571
Naturgy Generación, S.L.U.	Spain	Electricity generation	859	100.0	—	100.0	732	135	(9)	—	1	859
Naturgy Renovables, S.L.U.	Spain	Electricity generation	1,141	100.0	—	100.0	90	274	108	—	11	483
Global Power Generation, S.A.	Spain	Electricity generation	648	75.0	—	75.0	20	616	54	—	112	802
Toledo PV A.I.E.	Spain	Electricity generation	—	33.3	—	33.3	—	—	1	—	—	1
La Propagadora del Gas	Spain	Holding company	12	100.0	—	100.0	10	2	—	—	—	12
Naturgy Ciclos Combinados, S.L.U	Spain	Electricity generation	761	100.0	—	100.0	320	451	236	(75)	—	932
Naturgy Generación Térmica, S.L	Spain	Electricity generation	13	100.0	—	100.0	—	19	20	—	3	42
Gas Natural Exploración, S.L.	Spain	Gas infrastructures	9	100.0	—	100.0	8	16	—	—	(16)	8
Petroleum, Oil & Gas España, S.A.	Spain	Gas infrastructures	2	32.3	67.7	100.0	4	(1)	3	—	—	6
Liginitos de Meirama, S.A.	Spain	Mining	16	100.0	—	100.0	23	(7)	—	—	—	16
Natural Re, S.A.	Luxembourg	Insurance	9	100.0	—	100.0	5	51	2	—	—	58
General de Edificios y Solares, S.L.	Spain	Services	54	100.0	—	100.0	34	20	—	—	—	54
Naturgy Capital Markets, S.A.	Spain	Financial services	—	100.0	—	100.0	—	—	1	—	—	1
Naturgy Finance, B.V.	Netherlands	Financial services	7	100.0	—	100.0	—	5	4	—	—	9
Naturgy Participaciones, S.A.	Spain	Financial services	110	100.0	—	100.0	—	103	29	—	—	132
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	—	100.0	—	100.0	—	1	—	—	—	1
Naturgy Informática, S.A.	Spain	IT services	18	100.0	—	100.0	20	—	(2)	—	—	18
Naturgy Innovahub, S.L.U.	Spain	IT services	1	100.0	—	100.0	1	—	—	—	—	1
Naturgy Engineering, S.L.	Spain	Engineering services	16	100.0	—	100.0	—	12	4	—	(1)	15
Naturgy Ingeniería Nuclear, S.L.	Spain	Engineering services	1	100.0	—	100.0	—	1	—	—	—	1
Naturgy Distribución Latinoamérica, S.A.	Spain	Holding company	557	100.0	—	100.0	402	165	194	—	—	761
Naturgy Nuevas Energías, S.L.U.	Spain	Services	4	100.0	—	100.0	2	6	(5)	—	1	4
Naturgy Infraestructuras EMEA, S.L.	Spain	Holding company	89	100.0	—	100.0	—	202	10	—	—	212
Naturgy Inversiones Internacionales, S.A.	Spain	Holding company	850	100.0	—	100.0	250	274	(72)	—	(113)	339
<b>TOTAL</b>			<b>14,956</b>									

(1) Includes the share premium, reserves, prior-year losses, contributions and retained earnings.

(2) Includes value change adjustments, other equity instruments and grants, donations and bequests.

(\*) Financial statements updated according to the latest information available

Non-current receivables from Group companies amounted to Euros 13,997 million at 31 December 2023 (31 December 2022: Euros 13,997 million), maturing as follows:

<b>Maturity</b>	<b>At 31.12.2023</b>	At 31.12.2022
2024	—	3,362
2025	1,000	3,623
2026	2,853	1,000
2027	3,599	1,725
2028	1,569	1,350
2029	2,430	1,000
2030	1,000	1,000
2031 and subsequent	1,546	937
<b>Total</b>	<b>13,997</b>	13,997

Set out below are movements during 2023 and 2022 in loans and other current financial assets:

	<b>Loans to group companies</b>	<b>Other financial assets</b>	<b>Total</b>
<b>Balance at 01.01.2022</b>	<b>2,376</b>	<b>3</b>	<b>2,379</b>
Additions	694	—	694
Divestments	(1,057)	(1)	(1,058)
Reclassifications and transfers	(1,721)	—	(1,721)
<b>Balance at 31.12.2022</b>	<b>292</b>	<b>2</b>	<b>294</b>
Additions	75	1	76
Divestments	(167)	—	(167)
Reclassifications and transfers	91	—	91
<b>Balance at 31.12.2023</b>	<b>291</b>	<b>3</b>	<b>294</b>

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

"Loans to Group companies" consists of loans to Group companies amounting to Euros 207 million (Euros 215 million in 2022). The balance under this heading includes balances with Group companies relating to consolidated corporate income tax of Euros 69 million and consolidated VAT balances amounting to Euros 68 million (Euros 151 million in 2022 relating to consolidated corporate income tax).

Loans to Group companies also includes accrued unmatured interest of Euros 84 million (Euros 77 million in 2022).

At 31 December 2023, loans to Group companies and associates have borne interest at a rate of 5.57% (3.86% in 2022) in the case of non-current loans and 4.06% (1.5% in 2022) in the case of current loans.

## Note 8. Investments

Investments by class and category at 31 December 2023 and 31 December 2022 break down as follows:

At 31 December 2023	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	4	—	4
Derivatives (Note 14)	—	—	22	22
Other financial assets	3	—	—	3
<b>Non-current investments</b>	<b>3</b>	<b>4</b>	<b>22</b>	<b>29</b>
Derivatives (Note 14)	—	—	34	34
Other financial assets	2	—	—	2
<b>Current investments</b>	<b>2</b>	<b>—</b>	<b>34</b>	<b>36</b>
<b>Total</b>	<b>5</b>	<b>4</b>	<b>56</b>	<b>65</b>

At 31 December 2022	Financial assets at amortised cost	At cost	Hedging derivatives	Total
Equity instruments	—	5	—	5
Derivatives (Note 14)	—	—	69	69
Other financial assets	3	—	—	3
<b>Non-current investments</b>	<b>3</b>	<b>5</b>	<b>69</b>	<b>77</b>
Derivatives (Note 14)	—	—	16	16
Other financial assets	12	—	—	12
<b>Current investments</b>	<b>12</b>	<b>—</b>	<b>16</b>	<b>28</b>
<b>Total</b>	<b>15</b>	<b>5</b>	<b>85</b>	<b>105</b>

Financial assets recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial assets	2023				2022			
	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total
Hedging derivatives	—	56	—	56	—	85	—	85
<b>Total</b>	<b>—</b>	<b>56</b>	<b>—</b>	<b>56</b>	<b>—</b>	<b>85</b>	<b>—</b>	<b>85</b>

The movement in equity instruments in 2023 and 2022, based on the method applied for calculating their fair value, is as follows:

	2023				2022			
	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total
At 1 January	—	85	—	85	—	—	—	—
Increase	—	—	—	—	—	85	—	85
Decrease	—	(29)	—	(29)	—	—	—	—
<b>At 31 December</b>	<b>—</b>	<b>56</b>	<b>—</b>	<b>56</b>	<b>—</b>	<b>85</b>	<b>—</b>	<b>85</b>

## Financial assets at cost

All financial assets at cost relate to unlisted shareholdings at 31 December 2023 and 31 December 2022.

## Financial assets at amortised cost

The balance at 31 December 2023 and 2022 is as follows:

	At 31.12.23	At 31.12.22
Deposits and guarantee deposits	3	3
<b>Non-current</b>	<b>3</b>	<b>3</b>
Deposits and guarantee deposits	2	12
<b>Current</b>	<b>2</b>	<b>12</b>
<b>Total</b>	<b>5</b>	<b>15</b>

The fair values and carrying amounts of these assets do not differ significantly.

The breakdown by maturities at 31 December 2023 and 31 December 2022 is as follows:

Maturities	31.12.2023	31.12.2022
Before 1 year	2	12
Between 1 and 5 years	—	—
More than 5 years	3	3
<b>Total</b>	<b>5</b>	<b>15</b>

## Note 9. Other non-current assets and Trade and other receivables

The headings “Other non-current assets” and “Trade and other receivables” at 31 December 2023 and 31 December 2022, classified by nature and category, are as follows:

At 31.12.2023	At fair value through profit and loss	Amortised cost	Total
Derivatives (Note 14)	80	—	80
<b>Other non-current assets</b>	<b>80</b>	<b>—</b>	<b>80</b>
Derivatives (Note 14)	5	—	5
Other assets	—	147	147
<b>Trade and other receivables</b>	<b>5</b>	<b>147</b>	<b>152</b>
<b>Total</b>	<b>85</b>	<b>147</b>	<b>232</b>

At 31.12.2022	At fair value through profit and loss	Amortised cost	Total
Derivatives (Note 14)	63	—	63
<b>Other non-current assets</b>	<b>63</b>	<b>—</b>	<b>63</b>
Derivatives (Note 14)	710	—	710
Other assets	—	271	271
<b>Trade and other receivables</b>	<b>710</b>	<b>271</b>	<b>981</b>
<b>Total</b>	<b>773</b>	<b>271</b>	<b>1,044</b>

## Fair value through profit and loss

Financial assets recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial assets	At 31.12.2023				At 31.12.2022			
	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total
Fair value through profit and loss	—	85	—	85	—	773	—	773
<b>Total</b>	<b>—</b>	<b>85</b>	<b>—</b>	<b>85</b>	<b>—</b>	<b>773</b>	<b>—</b>	<b>773</b>

This heading includes gas price operating derivatives arranged by the Company with third parties and with other Naturgy companies amounting to Euros 85 million (31 December 2022: Euros 773 million), of which Euros 80 million is classified as non-current (31 December 2022: Euros 63 million) (Note 14).

## Amortised cost

The breakdown of this account is as follows:

	At 31.12.23	At 31.12.22
Trade receivables	28	93
Trade receivables, Group companies and associates	68	184
Provision	(26)	(26)
Current income tax asset	65	16
Other amounts receivable from Public Administrations	12	4
<b>Total</b>	<b>147</b>	<b>271</b>

In general, amounts billed pending collection do not bear interest, the average maturity period being less than 30 days.

At 31 December 2023 the Company recorded unmaturred balances totalling Euros 15 million (31 December 2022: Euros 305 million) which have been included in non-recourse factoring operations. These amounts have therefore been derecognised from Current tax assets in the balance sheet.

Movements in the bad debt provision are as follows:

	2023	2022
<b>At 1 January</b>	<b>(26)</b>	<b>(27)</b>
Net charge for the year	—	—
Retirement	—	1
<b>At 31 December</b>	<b>(26)</b>	<b>(26)</b>

## Note 10. Cash and cash equivalents

Cash and cash equivalents include:

	At 31.12.2023	At 31.12.2022
Cash at banks and in hand	1,137	1,336
Other cash equivalents	461	1,645
<b>Total</b>	<b>1,598</b>	<b>2,981</b>



“Cash equivalents” mainly relates to three short-term investments in deposits made at the end of October 2023 and with a maturity of less than three months, associated with CO2 emission allowances for Euros 250 million, which consist of an operation of spot purchase and a simultaneous forward sale with the same counterparty, the same risk and a guaranteed return (Euros 250 million as of December 31, 2022 corresponding to a short-term investment deposited at the end of December 2022). These deposits are easily convertible into specified amounts of cash, can be cancelled at any time without penalty and are subject to an insignificant risk of changes in value.

Likewise, they include cash pooling balances with group companies and their associated interests.

## Note 11. Equity

The main items of Equity are as follows:

### Share capital and share premium

Variations during 2023 and 2022 in the number of shares and share capital and share premium accounts have been as follows:

	Number of shares	Share capital	Share premium	Total
<b>At 1 January 2022</b>	<b>969,613,801</b>	<b>970</b>	<b>3,808</b>	<b>4,778</b>
Variation	—	—	—	—
<b>At 31 December 2022</b>	<b>969,613,801</b>	<b>970</b>	<b>3,808</b>	<b>4,778</b>
Variation	—	—	—	—
<b>At 31 December 2023</b>	<b>969,613,801</b>	<b>970</b>	<b>3,808</b>	<b>4,778</b>

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

There were no movements in the number of shares or in the accounts "Share capital" and "Share premium" during 2022 and 2023.

The Company's Board of Directors, for a maximum term of five years as from 15 March 2022, is empowered to increase share capital by a maximum of 50% of the Company's share capital at the time of the authorisation, through one or more cash payments at the time and in the amount that it deems fit, issuing ordinary, privileged or redeemable shares with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, with the possibility of agreeing, as appropriate, the full or partial exclusion of preferential subscription rights up to a limit of 20% of share capital at the date of this authorisation, and to alter the By-laws as required due to the capital increase or increases performed by virtue of said authorisation, with provision for an incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Companies Act. Additionally, based on this authorisation, it will carry out any necessary procedures and actions before domestic and overseas securities market agencies to request the listing, continuance and/or, as the case may be, delisting of the issued shares.

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

The most relevant holdings in the Company's share capital at 31 December 2023 and 31 December 2022, in accordance with the public information available or the reports issued by the Company itself, are as follows:

	% interest in share capital	
	2023	2022
- Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
-Global Infrastructure Partners III (2)	20.6	20.6
-CVC Capital Partners SICAV-FIS, S.A. (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	14.9	14.0
-Sonatrach (5)	4.1	4.1

(1) Holding through Criteria Caixa, S.A.U.

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

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

(4) Capital Research and Management Company is not included, which on 31 December 2019 owns 3.0% of the share capital since it is considered floating capital and the 3% limit is exceeded or reduced occasionally.

(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

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

The Company's share price at end-2023 stood at Euros 27.00 (last trading day: 29 December 2023). The last share price at 31 December 2022 was Euros 24.31.

## Reserves

"Reserves" includes the following reserves:

	2023	2022
Legal reserve	200	200
Statutory reserve	100	100
Voluntary reserves	9,731	9,731
Capital redemption reserve	31	31
Other reserves	298	315
<b>Total</b>	<b>10,360</b>	<b>10,377</b>

### Legal reserve

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

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

### Statutory reserve

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

### Capital redemption reserve

Following approval at the ordinary general meeting of shareholders held on 26 May 2020, a capital reduction was made during the year through the redemption of treasury shares with a reduction of Euros 14 million in capital and 284 million in voluntary reserves.

In addition, pursuant to Article 335 c) of the Spanish Companies Act a restricted Capital redemption reserve was created for an amount equal to the par value of the redeemed shares. The total accumulated capital redemption reserve amounts to Euros 31 million at 31 December 2023 and at 31 December 2022.

## Voluntary reserve and other reserves

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

A downward variation of Euros 971 million was included in 2022 due to the accounting recognition of the vertical merger between the subsidiaries Unión Fenosa Gas, S.A. and Naturgy Aprovechamientos, S.A. described in Note 7.

## Share-based payments

On 31 July 2018 the Board of Directors approved a long term variable incentive plan (LTI) involving the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. This incentive covered the period of the Strategic Plan 2018-2022.

On 25 November 2021, the Board of Directors of Naturgy decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the LTI plan 2018-2022 with a new expiration date of 31 December 2025 for current executives, in order to contribute to the achievement of the Strategic Plan 2021-2025. The entry into force of the extension of the LTI was approved by Naturgy's shareholders in general meeting on 15 March 2022.

This extension altered the LTI that had been approved under the Strategic Plan 2018-2022, which expired in July 2023. It maintains the direct relationship with the total return obtained by the Company's shareholders in the period concerned.

The LTI was arranged through the acquisition of shares in Naturgy Energy Group, S.A. by an investee company that may generate a surplus. Such surplus, if any, is the incentive to be delivered to the participants. At the expiration of the plan, this company will obtain a profit derived from the collection of dividends on its shares, changes in the share price and other income and expenses, mainly financial in character. At that time it will sell the shares required to return all the resources received for the acquisition of the shares and after settling its obligations it will distribute any surplus among its members in the form of shares.

The surplus will be received only if a minimum profitability threshold has been surpassed, which implies a share price of Euros 19.15 when the LTI expires and assuming that all the dividends provided for in the Strategic Plan 2021-2025 are paid.

If they leave the Company, the beneficiaries will only be entitled, in certain cases, to receive a part of the final incentive calculated in proportion to their length of service in the Company with respect to the duration of the plan.

In order to compensate for the delay in the collection of the LTI as a result of the time extension, Naturgy's Board of Directors established a compensation consisting of the payment of a cash amount to the beneficiaries who accepted the extension of the term until 2025 (see Annual Accounts at December 31, 2022). In 2023, advances amounting to Euros 103 thousand were paid.

The fair value of the equity instruments granted based on the LTI 2018-2022 was determined at the grant date using a Monte Carlo simulation valuation model based on the share price on the grant date, with the following assumptions:

Forecast share price volatility (1)	17.73 %
Plan duration (years)	5
Expected dividends	6.26 %
Risk-free interest rate	0.34 %

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

At the date of approval of the extension of the LTI, the LTI 2018-2022 and LTI 2018-2025 were measured using a valuation model based on a Monte Carlo simulation. The incremental value is recognised for accounting purposes over the period running from the date of approval of the change, i.e. 15 March 2022, to 31 December 2025. The assumptions used in these valuations are as follows:

	ILP2018-2022	ILP2018-2025
Forecast share price volatility (1)	25.32 %	25.32 %
Plan duration (years)	1.38	3.80
Expected dividends	5.24 %	5.03 %
Risk-free interest rate	0.71 %	1.06 %

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

As a result of the time apportionment of the fair value estimate of the equity instruments granted over the term of the plan and the incremental value associated with the above-mentioned extension, an amount of Euros 5 million (Euros 5 million at 31 December 2022) (Note 20) has been recorded in the income statement at 31 December 2023 under "Personnel expenses", credited to "Other equity instruments" in the balance sheet.

The Board of Directors, at the reasoned proposal of the Appointments, Remuneration and Corporate Governance Committee, may adopt the decisions it deems necessary for the administration, interpretation, correction, development or continuity of the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the corporate interest of the Company and the objectives of the Plan.

It may also decide on early termination, either to achieve such continuity or in the event of any event which, in its opinion, involves a substantial change in circumstances.

## Treasury shares

Movements during 2023 and 2022 involving the Company's treasury shares are as follows:

	Number of shares	In million euro	% Capital
<b>At 1 January 2022</b>	<b>163,226</b>	<b>4</b>	<b>—</b>
Share Acquisition Plan	15,000	—	—
Delivered to employees	(122,328)	(3)	—
<b>At 31 December 2022</b>	<b>55,898</b>	<b>1</b>	<b>—</b>
Share Acquisition Plan	357,094	10	—
Delivered to employees	(172,992)	(5)	—
<b>At 31 December 2023</b>	<b>240,000</b>	<b>6</b>	<b>—</b>

In 2023 and 2022, no gains or losses were made on transactions involving the Company's treasury shares.

On 5 March 2019, the shareholders in general meeting authorised the Board of Directors to purchase, within five years, in one or more operations, fully paid Company shares; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

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

Transactions involving the Company's treasury shares relate to:

**2023**

- Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 treasury shares were acquired for Euros 5.6 million and in April 2023 a total of 172,992 shares amounting to Euros 4.6 million were delivered to employees, leaving a surplus of 37,008 treasury shares which was added to the 55,898 shares left over from the 2019-2021 Share Acquisition Plans. In addition, in July 2023, 147,094 treasury shares were acquired for Euros 4.0 million in addition to the above surplus, bringing the total number of treasury shares to 240,000 at 31 December 2023.

**2022**

- Share acquisition plan: As mentioned in the previous paragraph, as part of the Share Acquisition Plan 2020-2023 the plan for 2021, aimed at Naturgy employees in Spain, was set in motion. This plan was completed in January 2022 through the acquisition of 15,000 treasury shares in addition to the 127,453 shares acquired in December 2021, for an amount of Euros 0.4 million, and a total of 122,328 shares amounting to Euros 3 million were delivered to employees. The surplus of 20,125 treasury shares was added to the 35,773 shares left over from the 2020 and 2019 Share Acquisition Plans.

**Dividends**

Set out below is a breakdown of the payments of dividends made in 2023 and 2022:

	2023			2022		
	% of Nominal	Euros per share	Amount	% sobre Nominal	Euros per share	Amount
Ordinary shares	150 %	1.50	1,454	120 %	1.20	1,164
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
<b>Total dividends paid</b>	<b>150 %</b>	<b>1.50</b>	<b>1,454</b>	<b>120 %</b>	<b>1.20</b>	<b>1,164</b>
a) Dividends charged to income statement or retained earnings	150 %	1.50	1,454	120 %	1.20	1,164
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

**2023**

On 20 February 2023, the Board of Directors approved the following proposal for the distribution of the Company's net profit for 2022 and retained earnings, for submission to the annual general meeting:

**AVAILABLE FOR DISTRIBUTION**

Profit.....	1,435
Retained earnings.....	2,320
Distribution base.....	3,755

**DISTRIBUTION:**

TO DIVIDENDS: The gross aggregate amount will be equal to the sum of the following quantities (the "Dividend"):

- Euros 679 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2022 paid by Naturgy Energy Group, S.A., jointly equivalent to 0.70 euros per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements prepared and in accordance with the legal requirements, which reveal the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2022, and,

ii. The amount obtained by multiplying 0.50 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the "Supplementary Dividend") are determined.

Euros 679 million of said dividend had already been paid on 18 August and 18 November 2022. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). Said dividend will be paid to shareholders as from 4 April 2023.

The Board of Directors is expressly empowered to delegate its powers to the director(s) it deems fit so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

**TOTAL DISTRIBUTED ..... 3,755**

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.50 per share for each qualifying share outstanding at the proposed date of payment.

Finally, the general meeting of shareholders held on 28 March 2023 approved a supplementary dividend of 0.50 euros per share for shares not directly held as treasury stock on the payment date, which was fully paid in cash on 4 April 2023.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,592 million.

On 20 July 2023, the Company's Board of Directors resolved to pay an interim dividend of 0.50 euros per share out of 2023 profits, for shares not classified as direct treasury shares on the date on which the dividend was paid. The dividend was paid in full in cash on 7 August 2023.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 June 2023 drawn up by the Directors on 20 July 2023 was as follows:

Profit after tax		841
Reserves to be replenished		—
<b>Maximum amount distributable</b>		<b>841</b>
<b>Forecast maximum interim dividend payment (1)</b>		<b>485</b>
Cash resources	2,309	
Undrawn credit facilities	5,283	
<b>Total liquidity</b>		<b>7,592</b>

(1) Amount considering total shares issued

On 23 October 2023, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay a second interim dividend of 0.50 euros out of 2023 profits for shares not classified as direct treasury shares on the date on which the dividend was paid, this being 7 November 2023.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 September 2023 drawn up by the Directors on 23 October 2023 was as follows:

Profit after tax		1,144
Reserves to be replenished		—
<b>Maximum amount distributable</b>		<b>1,144</b>
Interim dividend 2022 profits		485
<b>Forecast maximum interim dividend payment (1)</b>		<b>485</b>
Cash resources	1,728	
Undrawn credit facilities	5,354	
<b>Total liquidity</b>		<b>7,082</b>

(1) Amount considering total shares issued

On 26 February 2024, the Board of Directors approved the following proposal for the distribution of the Company's net profit for 2023 and retained earnings, for submission to the annual general meeting:

#### AVAILABLE FOR DISTRIBUTION

Profit.....	1,211
Retained earnings.....	2,592
Distribution base.....	3,803

#### **DISTRIBUTION:**

TO DIVIDENDS: the gross aggregate amount will be equal to the sum of the following quantities (the "Dividend"):

- i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to 1.0 euros per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements prepared and in accordance with the legal requirements, which revealed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2023, and,
- ii. The amount obtained by multiplying 0.40 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the "Supplementary Dividend") are determined.

Euros 969 million of said dividend had already been paid on 7 August and 7 November 2023. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). Said dividend will be paid to shareholders as from 9 April 2024.

The Board of Directors is expressly empowered to delegate its powers to the director(s) it deems fit so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

**TOTAL DISTRIBUTED ..... 3,803**

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting includes a supplementary payment of Euros 0.40 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2024. In this respect, in the event that at the time of distribution of the third and last payment of the proposed 2023 dividend (Euros 0.40 per share) the same number of treasury shares is maintained as at the 2023 year end (240,000 treasury shares, see section on Treasury shares), the amount applied to retained earnings will be Euros 2,446 million.

## 2022

On 3 February 2022, the Board of Directors approved the proposal submitted to the general meeting of shareholders for the distribution of the Company's net profit for 2021 and retained earnings from previous years, detailed in Note 11 of the notes to the accounts for the year ended 31 December 2021.

Subsequently, the general meeting of shareholders held on 15 March 2022 approved a supplementary dividend of 0.50 euros per share for shares not directly held as treasury stock on the payment date, which was fully paid in cash on 22 March 2022. Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,320 million.

On 11 August 2022, the Company's Board of Directors resolved to pay a first interim dividend of 0.30 euros per share out of 2022 results, for shares not classified as direct treasury shares on the date on which the dividend was paid. The dividend was paid in full in cash on 18 August 2022.

Finally, on 3 November 2022, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay a second interim dividend of 0.40 euros per share out of 2022 results, paid on 18 November 2022, for shares not classified as direct treasury shares on the date on which the dividend was paid.

## Note 12. Provisions

The breakdown of provisions at 31 December 2023 and 2022 is as follows:

	<b>At 31.12.2023</b>	At 31.12.2022
Provisions for employee obligations	204	187
Other provisions	90	83
<b>Non-current provisions</b>	<b>294</b>	<b>270</b>

### Provisions for employee benefits

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

	2023			2022		
	Pensions and other similar obligations	Other obligations with personnel	Total	Pensions and other similar obligations	Other obligations with personnel	Total
<b>At 1 January</b>	<b>177</b>	<b>10</b>	<b>187</b>	<b>236</b>	<b>6</b>	<b>242</b>
Appropriations/reversals charged to income	7	6	13	4	6	10
Payments during the year	(20)	(2)	(22)	(10)	(5)	(15)
Changes recognised directly in equity	23	—	23	(57)	—	(57)
Transfers and other applications	3	—	3	4	3	7
<b>At 31 December</b>	<b>190</b>	<b>14</b>	<b>204</b>	<b>177</b>	<b>10</b>	<b>187</b>

### Pensions and other similar liabilities

Most of the Company's post-employment obligations consist of the contribution of defined amounts to occupational pension plan systems. Nevertheless, at 31 December 2023 and 31 December 2022, the Company held the following defined benefit obligations for certain groups of workers:

- Pensions to retired workers, the disabled, widows and orphans and other related groups.
- Defined benefit supplement obligations with retired personnel of the legacy Unión Fenosa group who retired before November 2002 and a residual part of current personnel.



- Coverage of retirement and death for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.
- Obligations with employees that took early retirement until they reach official retirement age and early retirement plans.
- Salary supplements and contributions to social security for a group of employees taking early retirement until they can access ordinary retirement.
- Health care and other benefits.

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

<b>Present value of obligations</b>	<b>2023</b>	<b>2022</b>
<b>At 1 January</b>	<b>622</b>	<b>842</b>
Service cost for the year	—	—
Interest cost	24	13
Changes recognised directly in equity	49	(176)
Benefits paid	(59)	(62)
Transfers and other	3	5
<b>At 31 December</b>	<b>639</b>	<b>622</b>
<b>Fair value of plan assets</b>		
<b>At 1 January</b>	<b>445</b>	<b>606</b>
Expected yield	17	9
Contributions	8	(3)
Changes recognised directly in equity	26	(119)
Benefits paid	(47)	(49)
Transfers and other	—	1
<b>At 31 December</b>	<b>449</b>	<b>445</b>
<b>Provisions for pensions and similar obligations</b>	<b>190</b>	<b>177</b>

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

	<b>2023</b>	<b>2022</b>
Service cost for the year	—	—
Interest cost	7	4
<b>Total charge to the income statement</b>	<b>7</b>	<b>4</b>

Benefits for pensions and similar obligations, depending on the duration of the above commitments, are as follows:

	<b>2023</b>	<b>2022</b>
1 to 5 years	—	—
5 to 10 years	16	26
More than 10 years	174	151
<b>Provisions for pensions and similar obligations</b>	<b>190</b>	<b>177</b>

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

<b>% of total</b>	<b>2023</b>	<b>2022</b>
Bonds	100%	100%

Cumulative actuarial gains and losses, net of the tax effect, recognised directly in equity are positive in the amount of Euros 20 million at 31 December 2023 (positive in the amount of Euros 37 million at 31 December 2022).

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

	<b>2023</b>	2022
Financial assumptions	13	(66)
Demographic assumptions	—	—
Experience	10	9
<b>At 31 December</b>	<b>23</b>	<b>(57)</b>

Actuarial assumptions applied are as follows:

	<b>At 31.12.2023</b>	At 31.12.2022
Discount rate (p.a.)	3,21% a 3,30%	3,25% a 4,07%
Expected return on plan assets (p.a.)	3,21% a 3,30%	3,25% a 4,07%
Future salary increases (p.a.)	2.00%	2.00%
Future pension increases (p.a.)	2.00%	2.00%
Inflation rate (annual)	2.00%	2.00%
Mortality table	PER2020 Col 1st order	PER2020 Col 1st order
Life expectancy:		
Men		
Retired at age 65 in the current year	25.00	24.82
Employees 45 years old currently, at the time of retirement	27.52	27.37
Women		
Retired at age 65 in the current year	28.72	28.55
Employees 45 years old currently, at the time of retirement	31.05	30.91

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

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

The costs of health care have been measured on the basis of the expected costs of the premiums of the different medical care policies taken out. A 1% variation in the increase in the cost of these premiums would not have a significant impact on the liability recorded at 31 December 2023 and 31 December 2022, nor would it cause a relevant variation in the ordinary financial costs for future years in relation to that recorded in 2023 and 2022.

## Other employee benefits

Within the framework of the Strategic Plan 2018-2022, a long-term incentive plan implemented for Naturgy executives not included in the plan mentioned in Note 11. The purpose of this plan was to align shareholders' interests, the materialisation of the Strategic Plan, and executives' multi-year variable remuneration.

As a result of the approval of the Strategic Plan 2021-2025, the extension approved of the long-term incentive plan implemented with the approval of the Strategic Plan 2018-2022 for Naturgy executives not included in the plan mentioned in Note 11. This change maintains the aim of aligning shareholders' interests, the materialisation of the Strategic Plan and executives' multi-year variable remuneration. The plan amendment extends the term of the plan until 31 December 2025 for certain serving beneficiaries in order to contribute to the achievement of the Strategic Plan 2021-2025.

In order to compensate for the delay in collection derived from the extension of the plan, in 2021 a cash compensation was established which was paid upon the acceptance of the amendment and approval of the new LTI plan by the general meeting on 15 March 2022.

The provision for this commitment at 31 December 2023 totals Euros 14 million (Euros 10 million at 31 December 2022).

### Other non-current provisions

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

	2023	2022
<b>At 1 January</b>	<b>83</b>	<b>67</b>
– Appropriations	51	24
– Reversals	(53)	(2)
Transfers and other	9	(6)
<b>At 31 December</b>	<b>90</b>	<b>83</b>

“Other non-current provisions” mainly includes provisions posted to cover obligations deriving mainly from tax claims (Note 17).

No provision for business contracts was deemed necessary at 31 December 2023 or 2022.

At 31 December 2023, the estimated payment period for these obligations is Euros 90 million between one and five years (2022: Euros 83 million between one and five years).

### Note 13. Financial liabilities

Set out below is a breakdown of financial liabilities, excluding “Trade and other payables”, at 31 December 2023 and 31 December 2022, by nature and category:

At 31.12.2023	Amortised cost	Hedging derivatives	Total
Borrowings from financial institutions	2,382	—	2,382
Other financial liabilities	1	—	1
<b>Non-current borrowings</b>	<b>2,383</b>	<b>—</b>	<b>2,383</b>
Borrowings from financial institutions	165	—	165
Derivatives (Note 14)	—	—	—
<b>Current borrowings</b>	<b>165</b>	<b>—</b>	<b>165</b>
<b>Total</b>	<b>2,548</b>	<b>—</b>	<b>2,548</b>

At 31.12.2022	Amortised cost	Hedging derivatives	Total
Borrowings from financial institutions	1,938	—	1,938
Other financial liabilities	1	—	1
<b>Non-current borrowings</b>	<b>1,939</b>	<b>—</b>	<b>1,939</b>
Borrowings from financial institutions	534	—	534
Derivatives (Note 14)	—	25	25
<b>Current borrowings</b>	<b>534</b>	<b>25</b>	<b>559</b>
<b>Total</b>	<b>2,473</b>	<b>25</b>	<b>2,498</b>

Financial liabilities recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial liabilities	At 31.12.2023				At 31.12.2022			
	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total
Headging derivatives	—	—	—	—	—	25	—	25
<b>Total</b>	—	—	—	—	—	<b>25</b>	—	<b>25</b>

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

	Carrying amount		Fair value	
	At 31.12.2023	At 31.12.2022	At 31.12.2023	At 31.12.2022
Bank borrowings, derivatives and other financial liabilities	2,383	1,939	2,377	1,937

The fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at 31 December 2023 and 31 December 2022 on borrowings with similar credit and maturity characteristics. These valuations are based on the quotation price of similar financial instruments in an official market or on observable information in an official market (Level 2).

The movement in financial liabilities is as follows:

	Bank borrowings	Derivatives	Other financial liabilities	Total
<b>At 01.01.2022</b>	<b>2,774</b>	<b>80</b>	<b>1</b>	<b>2,855</b>
Increase	103	6	1	110
Decrease	(405)	(61)	(1)	(467)
<b>At 31.12.2022</b>	<b>2,472</b>	<b>25</b>	<b>1</b>	<b>2,498</b>
Increase	1,100	—	—	1,100
Decrease	(1,025)	(25)	—	(1,050)
<b>At 31.12.2023</b>	<b>2,547</b>	<b>—</b>	<b>1</b>	<b>2,548</b>

The following tables describe borrowings and maturities at 31 December 2023 and at 31 December 2022, taking into account the impact of derivative hedges.

	2024	2025	2026	2027	2028	2029 and beyond	Total
<b>At 31 December 2023:</b>							
Fixed	93	191	91	91	249	530	1,245
Floating	72	31	—	700	31	469	1,303
<b>Total</b>	<b>165</b>	<b>222</b>	<b>91</b>	<b>791</b>	<b>280</b>	<b>999</b>	<b>2,548</b>

	2023	2024	2025	2026	2027	2028 and beyond	Total
<b>At 31 December 2022:</b>							
Fixed	291	92	192	91	92	776	1,534
Floating	268	516	178	1	1	—	964
<b>Total</b>	<b>559</b>	<b>608</b>	<b>370</b>	<b>92</b>	<b>93</b>	<b>776</b>	<b>2,498</b>

Setting aside the impact of derivatives on borrowings, of the total debt, the fixed-rate debt would amount to Euros 102 million at 31 December 2023 (Euros 175 million at 31 December 2022); variable-rate debt would amount to Euros 2,446 million at 31 December 2023 (Euros 2,298 million at 31 December 2022).

The following tables describe the gross borrowings denominated in foreign currencies at 31 December 2023 and 31 December 2022 and their maturities, taking into account the impact of the derivative hedges:

	2024	2025	2026	2027	2028	2029 and beyond	Total
<b>At 31 December 2023:</b>							
Euro debt	165	222	91	791	280	999	2,548
<b>Total</b>	<b>165</b>	<b>222</b>	<b>91</b>	<b>791</b>	<b>280</b>	<b>999</b>	<b>2,548</b>

	2023	2024	2025	2026	2027	2028 and beyond	Total
<b>At 31 December 2022:</b>							
Euro debt	559	608	370	92	93	776	2,498
<b>Total</b>	<b>559</b>	<b>608</b>	<b>370</b>	<b>92</b>	<b>93</b>	<b>776</b>	<b>2,498</b>

Borrowings bore an average effective interest rate in 2023 of 2.46% (1.22% in 2022) including the derivatives assigned to each transaction.

At 31 December 2023, Bank borrowings includes Euros 12 million in interest pending payment (Euros 9 million at 31 December 2022).

Most of the outstanding borrowings include a clause relating to a change in control, either by acquisition of more than 50% of the voting shares or by obtaining the right to appoint the majority of the members of the Board of Naturgy Energy Group, S.A. These clauses are subject to additional conditions and therefore their activation depends on the simultaneous occurrence of some of the following events: a material downgrade in the credit rating caused by the change in control, or the loss of investment grade status granted by rating agencies; inability to meet the financial obligations of the contract; a material detrimental event for the creditor; or a material adverse change in creditworthiness. These clauses involve the repayment of drawn-down debt, although they usually have a longer term than that granted in cases of early termination.

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

The main financial instruments are as follows:

### Institutional financing

The Company records a loan from the Official Credit Institute (ICO) relating to instruments maturing in 2029 at maximum, for a total amount of Euros 120 million (Euros 140 million in 2022).

Additionally, in connection with borrowings from institutional banks, the European Investment Bank (EIB) had granted financing to the Company at 31 December 2023 in the amount of Euros 1,550 million maturing between 2025 and 2043 (Euros 1,153 million at 31 December 2022). This amount includes the new loan concluded with the EIB for Euros 700 million in October 2023, of which Euros 500 million had already been drawn down at 31 December 2023, with Euros 200 million yet to be drawn down.

### Other bank borrowings

At 31 December 2023, payables to non-institutional credit institutions amount to Euros 877 million (31 December 2022: Euros 1,175 million).

The Group continues to work on strengthening its financial profile and in this respect the main financing operations with credit institutions completed in 2023 and 2022 were the refinancing of credit lines and loans in Spain for Euros 2,156 million (Euros 4,517 million in 2022), which basically include:

#### 2023

- In 2023, credit lines in the aggregate amount of Euros 1,695 million and loans of Euros 461 million were refinanced.
- Additionally, in December 2023 bank loans for an aggregate amount of Euros 750 million have been arranged and are undrawn at year-end.

#### 2022

- Exercising of the one-year extension to 2025 of a Euros 2,000 million syndicated revolving credit facility with ESG metrics included in the pricing mechanism.
- Exercising of the one-year extension to 2024 of a Euros 1,000 million syndicated revolving credit facility with ESG metrics included in the pricing mechanism.
- Credit facilities and bilateral loans amounting to Euros 1,517 million were also renegotiated.

Naturgy also enjoys a comfortable debt maturity profile and balance sheet position, as well as flexibility in its investments and operating expenses for coping with the current economic scenario.

Of total bank borrowings, Euros 1,023 million (Euros 1,094 million at 31 December 2022) is subject to compliance with certain financial ratios.

#### ESG-linked financing

ESG-linked financing relates to credit lines in Spain, the cost of which is linked to at least one of the following ESG indicators:

- Direct GHG emissions: three-year average reduction (Mt CO<sub>2</sub>/GWh)
- CO<sub>2</sub> intensity of electricity generation: three-year average reduction (tCO<sub>2</sub>/GWh)
- Water consumption: three-year average reduction (hm<sup>3</sup>)
- Women in management positions (%)

The adjustment to the cost of debt is linked to the level of compliance with the above metrics and their variation against the previous year's indicators.

These credit lines, amounting to Euros 4,946 million, have not been drawn down and therefore the impact of the degree of compliance with these indicators on the financial cost is immaterial.

In addition, the terms of said financing do not indicate the existence of an embedded derivative that needs to be separated.

## Note 14. Risk management and derivative financial instruments

### Risk management

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

- Guaranteeing that the most relevant risks are correctly identified, evaluated and managed.
- Appropriately segregating risk management functions at the operating level.

- Ensuring that the level of risk exposure assumed by Naturgy in its business is in line with the global risk profile and with the achievement of its annual and strategic objectives.
- Ensuring the appropriate determination and review of the risk profile in accordance with the Global Risk Control and Management Policy and the Risk Appetite of Naturgy, approved by the Board of Directors, proposing global limits by risk category and the allocation thereof among the Business and Corporate units.

## Interest rate risk

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

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

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

The debt structure at 31 December 2023 and 2022 (Note 13), after taking into account the hedges arranged through derivatives, is as follows:

	<b>At 31.12.2023</b>	At 31.12.2022
Fixed interest rate	1,245	1,534
Floating interest rate	1,303	964
<b>Total</b>	<b>2,548</b>	<b>2,498</b>

The variable interest rate is subject to fluctuations in the Euribor.

The sensitivity of results and equity (measurement adjustments) to interest rate fluctuations is as follows:

	<b>Increase/decrease in interest rates (basis points)</b>	<b>Effect on profit before tax</b>	<b>Effect on equity before tax</b>
<b>31 December 2023</b>	50	(7)	(13)
	-50	7	13
31 December 2022	50	(5)	(19)
	-50	5	19

Following the outbreak of the Ukraine conflict, the European Central Bank decided to reduce its bond-buying stimulus plan launched in March 2020 in response to rising inflation and to raise euro zone interest rates in July 2022 for the first time in over a decade. This first increase was followed by successive rate hikes, the latest being in September 2023 when the European Central Bank raised the three official interest rates by 25 basis points, with the aim of bringing inflation back to 2% in the medium term. As a result, the interest rate on the main refinancing operations increased to 4.50%. Further increases may increase the cost of debt.

## Exchange rate risk

Variations in the exchange rates can affect the fair value of:

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

In 2023, the Company has financed its investments in local currency in order to mitigate these risks to the extent possible. Furthermore, it tries to match, whenever possible, costs and revenues indexed in the same currency, as well as amounts and maturities of assets and liabilities arising from operations denominated in currencies other than the euro.

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

The currency other than the euro with which the Company operates most is the US Dollar. The sensitivity of the Company's profits and equity (value change adjustments) to a 5% variation (increase or decrease) in the US dollar/euro exchange rate has no material impact at 31 December 2023 and 31 December 2022.

## **Commodity price risk**

A sizeable proportion of Naturgy's profits are linked to the purchase of gas for supplying a diversified portfolio of customers.

These gas supply contracts are mostly signed on a long-term basis with purchase prices based on a combination of different commodity prices, basically crude oil and its derivatives and natural gas hubs.

However, selling prices to final customers are generally agreed on a short/medium term basis and are conditioned by the supply/demand balance existing at a given time in the gas market. This may imply a decoupling from gas supply prices.

Therefore, Naturgy is exposed to the risk of gas price fluctuations with respect to the selling price to end customers. Exposure to this risk is managed and mitigated by natural hedging, seeking to balance the commodity exposures of both prices. In addition, some supply contracts allow this exposure to be managed through volume flexibility and repricing mechanisms.

When it is not possible to achieve a natural hedge the position is managed, within reasonable risk parameters, through derivatives to reduce exposure to price decoupling risk, generally through hedging instruments. However, ineffectiveness in these hedges could be caused by changes in the expected dates of the purchase and sale transactions, by a reduction in the volumes hedged or by a decoupling from the indices hedged in the purchase and sale transactions.

The Company also purchases gas in the market to be supplied to other Naturgy companies.

In the integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply positioning and by the final sales pricing policies in electricity supply.

Raw materials prices increased significantly throughout 2022 due to the energy crisis resulting from the shortage of raw materials caused by the international blockade of Russia, although during 2023 prices have become more stable while maintaining a certain degree of volatility.

Finally, Naturgy is exposed to fluctuations in the price of CO<sub>2</sub> emission allowances allocated to generation in its combined cycle plants. Naturgy invests part of its cash surpluses in Co<sub>2</sub>-linked notes.

Naturgy does not have any material investments in upstream businesses or raw materials production.

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

- Gas and electricity distribution. This is a regulated activity in which revenue and profit margins are linked to distribution infrastructure management services rendered, irrespective of the prices of the commodities distributed.



- Gas and electricity. Profit margins on gas and electricity supply activities are directly affected by commodity prices. In this regard, Naturgy has a risk policy that stipulates the tolerance range, based on applicable risk limits, among other aspects. Measures employed to keep risk within the stipulated limits include active supply management, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-profit relationship. Supplementary to the above-mentioned policy, Naturgy has mechanisms for ordinary and extraordinary price reviews, by means of the relevant clauses, with a large part of its supply portfolio. These clauses allow, in the medium term, the modulation of impacts in the event of any decoupling between Naturgy's selling prices in its markets and the evolution of prices in its supply portfolio.

## Credit risk

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

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

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

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

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such operations with reputable financial institutions in line with internal requirements. No significant defaults or losses arose in 2023 or 2022.

The ageing analysis of financial assets concluded that there were no unimpaired, past due financial assets at 31 December 2023 and 2022.

An ageing analysis of financial assets and related expected losses at 31 December 2023 and 31 December 2022 is set out below:

<b>31.12.2023</b>	<b>Total</b>	<b>Current</b>	<b>0 to 180 days</b>	<b>180 to 360 days</b>	<b>Over 360 days</b>
Expected loss ratio	92.9 %	—	—	—	100.0 %
Trade receivables for sales and services	28	2	—	—	26
Expected loss	26	—	—	—	26
<b>31.12.2022</b>	<b>Total</b>	<b>Current</b>	<b>0 to 180 days</b>	<b>180 to 360 days</b>	<b>Over 360 days</b>
Expected loss ratio	28.0 %	—	—	—	100.0 %
Trade receivables for sales and services	93	67	—	—	26
Expected loss	26	—	—	—	26

The expected loss ratio is calculated as the quotient of the expected loss divided by customers for sales and services rendered. It basically includes the bad debts of supply companies in the Electricity Market in the period in which the Company acted as representative of Naturgy's generation and marketing companies vis-à-vis the market.

Impaired financial assets are broken down in Note 9.

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

At 31 December 2023 and 2022 the Company did not have significant concentrations of credit risk.

At 31 December 2023, Naturgy has updated its credit risk management model based on economic forecasts in the main countries in which it operates, taking into account various factors including the war in Ukraine. The Group's financial statements have not been significantly impacted by changes in its debtors' payment behaviour.

## Liquidity risk

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

At 31 December 2023, the Company presented a negative working capital of Euros 2,271 million (Euros 455 million in 2022). At 31 December 2023, available cash totalled Euros 6,944 million (Euros 8,271 million in 2022), including cash and cash equivalents of Euros 1,598 million described in Note 10 (Euros 2,981 million in 2022) together with undrawn bank financing and credit lines totalling Euros 5,346 million (Euros 5,290 million in 2022).

There is also additional unused capacity to issue debt in capital markets amounting to Euros 6,099 million (Euros 5,458 million at 31 December 2022) (Note 15).

In an international context that is deeply influenced by the war in Ukraine, and within the framework of the Group's financial policy, the Company has maintained the availability of funds to meet its obligations and to implement its business plans, guaranteeing at all times the optimum level of liquid resources and seeking to maximise efficiency in the management of financial resources.

## Capital management

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

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

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

	2023	2022
Standard & Poor's	BBB (*)	BBB (**)
Fitch	BBB (*)	BBB (**)

(\*) S&P: Stable outlook, Fitch: Stable outlook

(\*\*) S&P: Negative outlook, Fitch: Stable outlook

## Derivative financial instruments

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

	At 31.12.2023		At 31.12.2022	
	Assets	Liabilities	Assets	Liabilities
<b>Hedging derivative financial instruments</b>	<b>22</b>	<b>—</b>	<b>69</b>	<b>—</b>
Interest rate hedges				
Cash flow hedges	22	—	69	—
<b>Other financial instruments</b>	<b>80</b>	<b>81</b>	<b>63</b>	<b>63</b>
Price of commodities	80	81	63	63
<b>Derivative financial instruments – non current</b>	<b>102</b>	<b>81</b>	<b>132</b>	<b>63</b>
<b>Hedging derivative financial instruments</b>	<b>34</b>	<b>—</b>	<b>16</b>	<b>25</b>
Interest rate hedges				
Cash flow hedges	34	—	16	—
Interest and exchange rate hedges				
Cash flow hedges	—	—	—	25
<b>Other financial instruments</b>	<b>5</b>	<b>5</b>	<b>710</b>	<b>711</b>
Price of commodities	5	5	710	711
<b>Derivative financial instruments current</b>	<b>39</b>	<b>5</b>	<b>726</b>	<b>736</b>
<b>Total</b>	<b>141</b>	<b>86</b>	<b>858</b>	<b>799</b>

The fair value of derivatives is determined based on the quoted price in an active market (Level 1) and observable variables in an active market (Level 2) .

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

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

	2023		2022	
	Operating profit	Net financial income/ (expense)	Operating profit	Net financial income/ (expense)
Cash flow hedge	—	17	—	(17)
Other financial instruments	(2)	—	5	—
<b>Total</b>	<b>(2)</b>	<b>17</b>	<b>5</b>	<b>(17)</b>

The breakdown of derivatives at 31 December 2023 and 2022, their fair value and maturities of their notional values is as follows:

	At 31.12.2023							Total
	Fair value	Notional value						
		2024	2025	2026	2027	2028	Subsequent years	
<b>INTEREST RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (EUR)	56	70	498	48	329	178	20	1,143
<b>OTHER:</b>								
Price of commodities Derivatives (EUR)	(1)	—	—	—	—	—	—	—
	<b>55</b>	<b>70</b>	<b>498</b>	<b>48</b>	<b>329</b>	<b>178</b>	<b>20</b>	<b>1,143</b>

	At 31.12.2022							
	Fair value	Notional value						
	2023	2024	2025	2026	2027	Subsequent years	Total	
<b>INTEREST RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (EUR)	85	191	70	498	48	329	198	1,334
<b>INTEREST RATE AND FOREIGN EXCHANGE RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (NOK)	(25)	101	—	—	—	—	—	101
<b>OTHER:</b>								
Price of commodities Derivatives (EUR)	(1)	1	—	—	—	—	—	1
	<b>59</b>	<b>293</b>	<b>70</b>	<b>498</b>	<b>48</b>	<b>329</b>	<b>198</b>	<b>1,436</b>

## Note 15. Payables to Group companies and associates

The breakdown by maturity of payables to Group companies is as follows:

Maturity	At 31.12.2023	At 31.12.2022
2023	—	3,125
2024	3,967	1,634
2025	1,200	1,199
2026	1,595	1,593
2027	1,493	1,490
2028	806	796
2029	1,192	1,191
Subsequent years	610	110
<b>Total</b>	<b>10,863</b>	<b>11,138</b>

Payables to Group companies mainly relate to debts recorded at amortised cost related to issuances carried out by Naturgy Capital Markets, S.A. and Naturgy Finance, B.V. under the European Medium-Term Notes (EMTN) programme. The balances payable to Naturgy Finance, B.V. in respect of perpetual subordinated debentures amounting to Euros 1,000 million (Euros 1,000 million at 31 December 2022) and to Unión Fenosa Preferentes, S.A. relating to preference shares totalling Euros 110 million (Euros 110 million at 31 December 2022) are also included. At 31 December 2022, it also included 862 million of debt with Naturgy Aprovevisionamientos, S.A. following the merger by absorption of Unión Fenosa Gas (UFG) and Naturgy Aprovevisionamientos, S.A., described in Notes 4 and 7 of the 2022 annual accounts. This debt has been reclassified in 2023 as cash pooling balances with group companies.

Also included, as payables to Group companies, is accrued unmaturred interest amounting to Euros 113 million (Euros 132 million in 2022) and balances with Group companies relating to cash pooling balances for Euros 2,473 million, bearing interest at a rate of 3.056% (Euros 1,222 million in 2022 bearing interest at 0.5%), as well as balances with Group companies relating to consolidated corporate income tax amounting to Euros 209 million (Euros 283 million at 31 December 2022) and balances with Group companies relating to consolidated VAT amounting to Euros 21 million (no balance in 2022).

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

**At 31 December 2023**

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issuances per year
<b>Euro Commercial Paper (ECP) programme</b>							
Naturgy Finance B.V.	Netherlands	2010	Euro	1,000	—	1,000	—
<b>European Medium Term Notes (EMTN) programme</b>							
Naturgy Capital Markets, S.A. and Naturgy Finance, B.V.	Netherlands /Spain	1999	Euro	12,000	7,005	4,995	—

**At 31 December 2022**

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issuances per year
<b>Euro Commercial Paper (ECP) programme</b>							
Naturgy Finance B.V.	Netherlands	2010	Euro	1,000	—	1,000	300
<b>European Medium Term Notes (EMTN) programme</b>							
Naturgy Capital Markets, S.A. and Naturgy Finance, B.V.	Netherlands /Spain	1999	Euro	12,000	7,656	4,344	—

The bonds issued, in a volume of Euros 7,005 million (Euros 7,656 million at 31 December 2022), as is habitual in the Euromarket, could be redeemed in advance provided that such a change in control triggers a downgrade of more than two full notches in at least two of the three ratings that it had obtained, and all the ratings fall below investment grade, and provided that the rating agency states that the rating downgrade results from the change in control.

The main movements for 2023 and 2022 are as follows:

**2023**

There were no issues under the EMTN and Euro Commercial Paper (ECP) programme in 2023.

In 2023 bonds matured for a total amount of Euros 651 million and with an average coupon of 3.59%.

**2022**

During 2022, no issuances were made under the EMTN programme.

In 2022 a bond matured for a total amount of Euros 454 million and with an average coupon of 3.88%.

In 2022, issues under the Euro Commercial Paper (ECP) programme totalling Euros 300 million were carried out. There were no outstanding issues at 31 December 2022.

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

**Note 16. Other non-current liabilities and Trade and other payables**

The headings “Other non-current liabilities” and “Trade and other payables” at 31 December 2023 and 31 December 2022, classified by nature and category, are as follows:

At 31.12.2023	At fair value through profit and loss	Amortised cost	Total
Derivatives (Note 14)	81	—	81
<b>Other non-current liabilities</b>	<b>81</b>	<b>—</b>	<b>81</b>
Derivatives (Note 14)	5	—	5
Other liabilities	—	215	215
<b>Trade and other payables</b>	<b>5</b>	<b>215</b>	<b>220</b>
<b>Total</b>	<b>86</b>	<b>215</b>	<b>301</b>

At 31.12.2022	At fair value through profit and loss	Amortised cost	Total
Derivatives (Note 14)	63	—	63
<b>Other non-current liabilities</b>	<b>63</b>	<b>—</b>	<b>63</b>
Derivatives (Note 14)	711	—	711
Other liabilities	—	345	345
<b>Trade and other payables</b>	<b>711</b>	<b>345</b>	<b>1,056</b>
<b>Total</b>	<b>774</b>	<b>345</b>	<b>1,119</b>

## Fair value through profit and loss

Financial liabilities recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial liabilities	At 31.12.2023				At 31.12.2022			
	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total	Level 1 (quoted price in an active market)	Level 2 (observable variables)	Level 3 (unobservable variables)	Total
Fair value through profit and loss	—	86	—	86	—	774	—	774
<b>Total</b>	<b>—</b>	<b>86</b>	<b>—</b>	<b>86</b>	<b>—</b>	<b>774</b>	<b>—</b>	<b>774</b>

This heading includes gas price operating derivatives arranged by the Company with third parties and with other Naturgy companies amounting to Euros 86 million (31 December 2022: Euros 774 million), of which Euros 81 million is classified as non-current (31 December 2022: Euros 63 million) (Note 14).

## Amortised cost

The breakdown of this account is as follows:

	At 31.12.2023	At 31.12.2022
Trade payables	72	240
Trade payables, Group companies and associates	14	71
Other payables	42	—
Personnel (outstanding remuneration)	40	18
Public Administrations	47	16
<b>Total</b>	<b>215</b>	<b>345</b>

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

## Information on the average supplier payment period

The average payment period is calculated in accordance with Law 15/2010 on measures to combat late payment in business operations and the changes brought in under Law 18/2022 of 28 September on the formation and growth of companies.

In accordance with the above regulations, the information to be included in the notes to the annual accounts in relation to the average supplier payment period in commercial transactions is as follows:

	<b>2023</b>	2022
	<b>Amount</b>	<b>Amount</b>
Total payments (thousand euro)	432,685	1,291,884
Total outstanding payments (thousand euro)	19,037	21,081
Average supplier payment period (days) (1)	19	26
Transactions paid ratio (days) (2)	19	27
Transactions pending payment ratio (days) (3)	25	23
Total payments within the period established in the default regulations (thousands of euros)	428,694	1,183,136
% of the amount paid within the period established in the default regulations with respect to the total amount paid	99.08 %	91.58 %
Number of invoices paid within the period established in the default regulations	14,461	11,785
% of invoices paid within the period established in the default regulations with respect to the total invoices paid	96.36 %	91.67 %

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

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

(3) Average age, suppliers pending payment balance.

## Note 17. Tax situation

Naturgy Energy Group, S.A. is the parent of Tax Group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, entailing the overall calculation of the group's taxable income, deductions and tax credits. The tax group for 2023 is analysed in Appendix I.

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

The reconciliation of accounting profit for 2023 and 2022 to taxable income is as follows:

	<b>At 31.12.2023</b>	At 31.12.2022
<b>Accounting profit before tax</b>	<b>1,197</b>	<b>1,480</b>
<b>Permanent differences</b>	<b>(1,184)</b>	<b>(1,411)</b>
<b>Temporary differences:</b>		
Arising during current year	46	11
Arising in prior years	(47)	(58)
<b>Taxable income</b>	<b>12</b>	<b>22</b>

Permanent differences mainly relate to the application of the tax consolidation system and the double taxation exemption for dividends and income derived from the transfer of shares under Article 21 of Law 27/2014 on Corporate Income Tax, which has led to negative permanent differences of Euros 1,138 million resulting mainly from negative adjustments for dividends accruing during the year (Euros 1,426 million in 2022), the reversal of impairment of shareholdings in Group companies and associates and other equity interests amounting to Euros 54 million (impairment reversals of Euros 1 million in 2022), the upward adjustment for donations and other minor adjustments amounting to Euros 8 million (Euros 11 million in 2022). In 2022 it also included the results from the sale of investments in Group and associated companies amounting to Euros 5 million.

Taxable income generated in 2023 by the Company amounts to Euros 12 million (Euros 22 million of taxable income in 2022).

Income tax expense is as follows:

	<b>2023</b>	2022
Current-year tax	26	6
Deferred tax	(12)	(51)
<b>Total</b>	<b>14</b>	<b>(45)</b>

Current corporate income tax is the result of applying a 25% tax rate to taxable income. In the tax group, tax credits applied by the Company in 2023 amounted to Euros 28 million (Euros 12 million in 2022) and no tax losses were offset.

At 31 December 2023, payments had been made of advance corporate income tax in respect of the Group's consolidated corporate income tax of Euros 91 million (Euros 129 million in 2022) and withholdings on investment income amounting to Euros 4 million (Euros 1 million in 2022). The Company, as the parent company of the tax group, also records the net balance of the settlement for the other group companies (Notes 7 and 15).

In 2023 negative adjustments for tax differences from the previous year were recognised amounting to Euros 1 million (no adjustments in 2022).

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

Year of sale	Amount obtained on the sale	Amount reinvested	Capital gain	Capital gain included in tax base	Capital gain pending inclusion in tax base
2002	917	917	462	20	442
2003	39	39	20	—	20
2004	292	292	177	11	166
2005	432	432	300	2	298
2006	310	310	226	—	226
2009	161	161	87	—	87
2010	752	752	551	—	551
2011	468	468	394	2	392
2012	38	38	32	—	32
<b>Total</b>	<b>3,409</b>	<b>3,409</b>	<b>2,249</b>	<b>35</b>	<b>2,214</b>

The reinvestment has been made in fixed asset used in business activities both by the Company and by the other companies in the tax group, pursuant to Article 75 of the Revised CIT Act.

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



	At 31.12.2023			At 31.12.2022		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Cash flow hedges	30	(7)	23	(145)	36	(109)
Actuarial gains and losses and other adjustments	23	(6)	17	(65)	14	(51)
	<b>53</b>	<b>(13)</b>	<b>40</b>	<b>(210)</b>	<b>50</b>	<b>(160)</b>

A breakdown of deferred taxes is as follows:

	At 31.12.2023	At 31.12.2022
Deferred tax assets:	129	120
- Achievable within one year	17	11
- Achievable in more than one year	112	109
Deferred tax liabilities:	(267)	(275)
- Achievable in more than one year	(267)	(275)
Net deferred tax	<b>(138)</b>	<b>(155)</b>

Set out below is an analysis of and movements in deferred taxes:

Deferred tax assets	Provisions	Tax credits	Valuation of assets and financial instruments	Goodwill	Other	Total
<b>At 1.1.2022</b>	<b>109</b>	<b>38</b>	<b>15</b>	<b>10</b>	<b>1</b>	<b>173</b>
Creation (reversal)	(13)	(10)	—	(1)	—	(24)
Movements linked to equity adjustments	(13)	—	(15)	—	—	(28)
Transfers and other	(1)	—	—	—	—	(1)
<b>At 31.12.2022</b>	<b>82</b>	<b>28</b>	<b>—</b>	<b>9</b>	<b>1</b>	<b>120</b>
Creation (reversal)	—	—	—	(1)	—	(1)
Movements linked to equity adjustments	6	—	—	—	—	6
Transfers and other	2	2	—	—	—	4
<b>At 31.12.2023</b>	<b>90</b>	<b>30</b>	<b>—</b>	<b>8</b>	<b>1</b>	<b>129</b>

Deferred tax liabilities	Differences Depreciation	Deferred gains	Valuation of liabilities and financial instruments	Other	Total	
<b>At 1.1.2022</b>		<b>2</b>	<b>207</b>	<b>—</b>	<b>41</b>	<b>250</b>
Creation (reversal)	—	—	—	27	27	
Movements linked to equity adjustments	—	—	22	—	22	
Transfers and other	—	—	—	(24)	(24)	
<b>At 31.12.2022</b>		<b>2</b>	<b>207</b>	<b>22</b>	<b>44</b>	<b>275</b>
Creation (reversal)	(1)	—	—	12	11	
Movements linked to equity adjustments	—	—	(7)	—	(7)	
Transfers and other	—	—	—	(12)	(12)	
<b>At 31.12.2023</b>		<b>1</b>	<b>207</b>	<b>15</b>	<b>44</b>	<b>267</b>

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

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

In 2009 the merger took place whereby Unión Fenosa, S.A. and Unión Fenosa Generación S.A. were absorbed the Company. The merger was performed under the special tax scheme for mergers, spin-offs, asset contributions, share exchanges and changes of registered address of European companies or European cooperatives from one European Union Member State to another, regulated in Title VII, Chapter VIII of the Revised CIT Act. The information requirements stipulated in the special tax scheme are fulfilled in the notes to the Company's 2009 annual accounts.

In July 2021 tax inspection proceedings were instigated against the Company as the parent company of Group 59/93 in relation to corporate income tax and as the parent company of Group 273/08 with respect to VAT. These proceedings are partial in nature in both taxes, the object of the verification being limited to certain aspects of the tax obligation. The periods under inspection for corporate income tax purposes (tax consolidation regime) are 2016 to 2019 and for VAT purposes (corporate group regime) from September 2017 to December 2020.

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

In addition, as part of the same inspection procedure, the Personal Income Tax, withholdings and payments on account of earned income, for the periods September 2017 to December 2020, and the Non-resident Income Tax , withholdings on capital income, for the periods April 2018 to December 2020, are subject to verification with limited scope.

The above-mentioned inspection procedures concluded in 2023. On 22 and 29 March 2023 tax assessments were agreed with respect to Group personal income tax withholdings and VAT, resulting in a total adjustment of Euros 0.2 million and Euros 1.2 million, respectively, including late-payment interest. This amount was fully provisioned and was paid on 29 May 2023 within the statutory deadline.

In May 2023, the tax assessments for corporate income tax were agreed and signed, resulting in an adjustment of Euros 36 million (Euros 31 million in tax and Euros 5 million in interest). This amount was fully provisioned and was paid in July 2023 within the statutory deadline.

In July 2023 an assessment was contested relating to withholdings and payments on account from investment income paid to non-resident entities which, at the date of issue of these annual accounts, has been appealed against before the Central Economic-Administrative Court (Note 27).

Concerning tax-related appeals, on 29 September 2022 the ruling was received from the Central Economic-Administrative Court (TEAC) on an appeal against the tax assessments resulting from an inspection on corporate income tax for the periods 2011-2015, which were contested and which basically regularised the deduction for international double taxation. The TEAC rejected the appeal in its entirety and an administrative appeal was lodged against that ruling before the National High Court. At the date of authorisation for issue of these annual accounts all the formalities have been completed at the National High Court, except for setting a date for the vote and judgement procedure.

The enforceability of the assessments has been suspended and the provision for the full amount of the liability is recorded under "Provisions" (Note 12) and has been updated at 31 December 2023 and 31 December 2022 for the late payment interest accrued while the suspension continues.

According to the Spanish tax legislation, at the date of formulation of these annual accounts, the Company has open for inspection by the tax authorities the last four years of the main taxes that are of application not affected by the inspection procedure indicated in the preceding paragraphs.

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

Naturgy assesses uncertain tax treatments and reflects the effect of uncertainty on fiscal profit (loss), tax bases and unused tax losses or credits. Naturgy has adequately covered possible obligations arising from various tax claims without uncertain tax litigation or treatment being individually significant.

The General State Budget Act 2022 approved the amendment of Corporate Tax Act 27/2014 establishing a minimum taxation of 15% on the taxable basis. This amendment has not had an impact on the liquidation of corporate tax for the year 2022 and does not foresee that it will be able to do so in subsequent years as the deductions applied do not imply a reduction of the effective tax rate below this percentage.

The Directorate is closely following developments related to the implementation of international tax reforms introducing a global minimum additional tax (Pillar Two). During the year 2023, given that none of the jurisdictions in which the group operates had enacted, or substantially enacted, tax legislation related to the supplementary tax as of the date of these Annual Accounts of 31 December 2023, no impact on them. Once changes to tax laws are enacted, or substantially enacted, in any jurisdiction in which the group operates, the Company may be subject to supplementary tax.

The group may potentially be subject to supplementary tax because it has operations in Ireland where the statutory tax rate is 12.5% and in Puerto Rico where, as a result of the special tax regime granted to our subsidiaries, its effective tax rate is reduced below 15%, although in the case of Ireland, the national tax authorities have announced that, pursuant to Council Directive (EU) 2022/2523 of 15 December 2022, on the guarantee of an overall minimum level of taxation for multinational groups and large national groups, a supplementary tax will be approved to bring the minimum tax rate to 15%.

Management is evaluating the current potential tax impacts of this top-up tax, although it considers that they will not be material and estimates that, if the top-up tax were to apply in 2023, the effect would be at around Euros 20 million.

In Spain, the preliminary draft law establishing a supplementary tax has been submitted for public information in order to guarantee an overall minimum level of taxation for multinational groups and large-scale groups involved in transposition into the regulatory acquis of Directive 2022/2523.

The Company is analysing the implementation of the most appropriate technological tools in order to properly fulfill the new tax obligations imposed by Pilar Dos and in particular, for the legislation that is expected to be approved by the Parliament of Spain in 2024.

On December 28, 2022, the Official State Gazette published Law 38/2022, among others, the Temporary Energy Levy is approved to deal with the energy cost overruns that the whole economy must bear as a consequence of the extraordinary circumstances produced by the war between Russia and Ukraine and the volatility of energy markets. This levy must be paid by the main operators in the various energy sectors. If the principal operator is part of a tax group, the extraordinary charge is 1,2% of the net amount of the turnover of the tax group and it is established that the amounts corresponding to regulated activities shall be eliminated.

This tax is considered to be a non-taxable public service, and therefore its accounting as a tax shall take place on 1 January 2023, 2024 and 2025, in so far as they are the due dates thereof, and for the entire annual amount payable. The energy charge has been paid in the year 2023 on the basis of the amounts for the year 2022 and in the year 2024 it will be based on the amounts for the year 2023, practising a partial income of 50% between 1 and 20 February and the definitive income between 1 and 20 September. The amount paid by the Company for this purpose was Euros 165 million in 2023, and the other companies in the tax group were distributed on the basis of the net amount of the turnover of each of them, corresponding to the Company an amount of EUR 1 million. As of the date of preparation of these annual accounts, the Tax Agency has communicated the start of partial tax inspection proceedings in relation to the energy tax.

On the other hand, Royal Decree Law 8/2023 of 27 December, published in the Official State Gazette on 28 December, agreed to extend to the year 2024 the validity of the levy incorporating in this exercise, through the General State Budget Law for 2024 an incentive that will be applicable to those who are obliged to pay the temporary energy levy for strategic investments that are essential for the ecological transition in our country, such as energy storage, new renewable fuels (such as biogas, biomethane or green hydrogen) and their associated network infrastructures, as well as investments associated with national or European value chain to contribute to the energy autonomy that will be made from 1 January 2024.

This same Royal Decree Law announces the Government's willingness to review the tax for its transformation into a tax that becomes part of the Spanish tax system for all purposes, including the corresponding agreements with the historical territories of the Basque Country and the agreement with the Autonomous Community of Navarre.

Naturgy has analysed in depth the law that regulates the energy levy and has filed a lawsuit before the National Court. Likewise, it will proceed to submit the corresponding request for the refund of undue income for the amounts already paid in 2023 (in relation to the 2022 financial year).

The same Law 38/2022 introduces a modification to the tax consolidation regime with effects limited to the 2023 financial year, according to which, the tax base of the groups that are taxed under the consolidation regime may only incorporate 50% of the individual negative tax bases, with the other 50% pending application in the following ten years. The expected impact of this measure on the group's corporate income tax settlement for the 2023 financial year represents an increase in quota of Euros27 million.

Royal Decree Law 8/2023, of 27 December, published in the Official State Gazette of 28 December, in addition to the amendment relating to the temporary energy levy mentioned above, incorporates a series of other tax measures, including the following:

- Extension of the application of the reduced VAT rate of 10% to supplies of electricity to customers with installed power of less than 10 kW or who are at risk of social exclusion, as well as to supplies of natural gas, pellets, briquettes and firewood from biomass intended for heating systems.
- The suspension of the Tax on the Value of the Production of Electricity is gradually eliminated so that, in the determination of the taxable base for the first quarter, only 50% of the total amount that corresponds to the taxpayer for the production and incorporation of electrical energy into the electricity system, measured in plant busbars, will be taken. For the second quarter, 75% of the amount will be taken and for the third and fourth quarters, 100% of the taxable base will be taken.
- The tax rate of the Special Tax on Electricity is gradually increased so that during the first quarter the applicable tax rate will be 2.5% and for the second quarter the tax rate will be 3.8% and from the third quarter it will return to the tax rate provided for in Law 38/1992 on Excise Taxes set at 5.11269632%.

On 18 January, the Constitutional Court issued a ruling declaring the unconstitutionality of several measures introduced in Corporate Income Tax by Royal Decree 3/2016, specifically the tightening of the limits for the offsetting of negative tax bases, for the application of deductions for double taxation and the obligation to include in the taxable base the impairments of holdings that had been deducted in previous years. However, in that judgment, the temporal effects of unconstitutionality were limited, so that only companies or tax groups that had challenged their self-assessments of the tax before the date of the judgment could benefit from that unconstitutionality. On that date, Naturgy had filed briefs challenging the Tax Group's self-assessments, for the years 2016 to 2020, so that it can benefit from the effects of the declared unconstitutionality. This is considered to be after the end of the financial year. The impact that is not estimated to be material is currently being calculated and, in any case, will affect the 2024 financial year.

## Note 18. Revenue

Revenue breaks down as follows:

	<b>2023</b>	2022
Natural gas sales and other	173	718
Income from equity instruments of Group companies and associates (Note 7)	1,187	1,474
Income from marketable securities and other financial instruments of Group companies and associates	458	436
<b>Total</b>	<b>1,818</b>	<b>2,628</b>

	<b>2023</b>	2022
Domestic market	1,663	2,064
Foreign market:	155	564
- European Union	155	563
- Other countries	—	1
<b>Total</b>	<b>1,818</b>	<b>2,628</b>

Gas sales are made basically in the domestic and European market and relate to gas and electricity sales to other Naturgy companies in which the Company acts as principal.

## Note 19. Raw materials and consumables

Includes gas purchases related to the activity of selling gas to other Naturgy companies in which the Company acts as principal.

## Note 20. Personnel expenses

A breakdown of this heading in the income statement for 2023 and 2022 is as follows:

	<b>2023</b>	2022
Wages and salaries	53	50
Termination benefits	25	2
Share-based payments (Note 11)	5	5
Social security costs	5	5
Other social costs	4	3
Other	5	5
<b>Total</b>	<b>97</b>	<b>70</b>

The average number of Company employees in 2023 and 2022 is as follows:

	<b>2023</b>	2022
Executives	32	32
Middle management	94	86
Specialists	171	164
Operational staff	20	22
<b>Total</b>	<b>317</b>	<b>304</b>

The average number of Company employees during 2023 and 2022 with a disability equal to or greater than 33% is as follows:

	2023		2022	
	Men	Women	Men	Women
Executives	—	—	—	—
Middle management	—	—	—	—
Specialists	3	1	2	1
Operational staff	1	1	—	1
<b>Total</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>2</b>

The number of Company employees at the end of 2023 and 2022 broken down by category and gender is as follows:

	2023		2022	
	Men	Women	Men	Women
Executives	24	7	27	7
Middle management	49	47	46	45
Specialists	69	99	80	95
Operational staff	3	15	3	19
<b>Total</b>	<b>145</b>	<b>168</b>	<b>156</b>	<b>166</b>

## Note 21. Other operating expenses

A breakdown of this heading in the income statement for 2023 and 2022 is as follows:

	2023	2022
Leases, royalties, operation and maintenance	27	26
Professional services and insurance	19	17
Advertising and other commercial services	17	16
Contribution Naturgy Foundation	6	6
Banking services	6	6
Supplies	5	10
Taxes	2	1
Lean Services	45	9
Other	34	45
<b>Total</b>	<b>161</b>	<b>136</b>

The Company makes contributions to the Naturgy Foundation to enable it to carry out its energy and environmental projects, basically in the community area, as well to fund international initiatives.

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

In 2023 "Lean Services" includes an amount of Euros 45 million corresponding to processing costs (Euros 9 million in 2022).

## Note 22. Other operating income

This account includes Euros 62 million in transactions with group companies and associates in 2023 (Euros 69 million in 2022) and mainly relate to the recharging of expenses.

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

The breakdown of this account in the Income statement for 2023 and 2022 is as follows:

	2023	2022
Income from equity instruments	—	1
Income from marketable securities and other financial instruments	61	11
<b>Total financial income</b>	<b>61</b>	<b>12</b>
Cost of borrowings	(331)	(278)
Interest expense on pensions (Note 12)	(7)	(4)
Other financial expense	(26)	(18)
<b>Total financial expense</b>	<b>(364)</b>	<b>(300)</b>
Impairment and gains/(losses) on disposals of financial instruments	(1)	—
<b>Net financial income/(expense)</b>	<b>(304)</b>	<b>(288)</b>

Other financial expenses include sundry fees and commissions, mainly for the renewal of loans with credit institutions and other items.

## Note 24. Foreign currency transactions

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

	2023	2022
Sales	48	515
Other operating income	—	1
Income from marketable securities and other financial instruments of group companies and associates	9	17
Purchases	(48)	(515)
Services received	(1)	(1)
Financial expenses by borrowings from group companies and associates	(2)	(5)
<b>Total</b>	<b>6</b>	<b>12</b>

## Note 25. Information on transactions with related parties

Related parties are as follows:

- Significant Naturgy shareholders, i.e. those directly or indirectly owning an interest of 5% or more, and those who, though not significant, have exercised the power to propose the appointment of a member of the Board of Directors.

Based on this definition, the significant shareholders of Naturgy are:

- Fundación Bancaria Caixa d’Estalvis i Pensions de Barcelona, “La Caixa” holding through Criteria Caixa, S.A.U. (Criteria)
  - Global Infrastructure Partners III and related companies, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l. (GIP)
  - CVC Capital Partners SICAV-FIS, S.A. , through Rioja Acquisitions S.à.r.l. (CVC)
  - IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)
- Directors and executives of the company, and their close relatives. The term “director” means a member of the Board of Directors and the term “senior management personnel” refers to personnel reporting directly to the Executive President and the Internal Audit Manager. Operations with directors and executives are disclosed in Note 26.
  - Transactions between Naturgy companies form part of ordinary activities and are effected at arm's length.

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

Income and expense (in thousand Euros)	2023				2022			
	Criteria	CVC	GIP	IFM	Criteria	CVC	GIP	IFM
Receipt of services	—	—	—	—	1	—	—	—
<b>Total expenses</b>	—	—	—	—	<b>1</b>	—	—	—
<b>Total income</b>	—	—	—	—	—	—	—	—
Other transactions (in thousand Euros)	Criteria	CVC	GIP	IFM	Criteria	CVC	GIP	IFM
Dividends and other profits distributed	388,440	301,287	300,207	212,184	310,752	241,030	240,165	157,387

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

Expenses, income and other transactions	2023		2022	
	Group companies	Jointly-controlled entities and associates	Group companies	Jointly-controlled entities and associates
Financial expenses	(270)	—	(245)	—
Receipt of services	(5)	—	(10)	—
Purchases of goods	(116)	—	(553)	—
<b>Total expenses</b>	<b>(391)</b>	—	<b>(808)</b>	—
Financial income	458	—	432	4
Dividends received	1,212	—	2,044	—
Sale of goods	241	—	3,198	—
Other income	226	—	69	—
<b>Total income</b>	<b>2,137</b>	—	<b>5,743</b>	<b>4</b>

In 2023 and 2022, "Purchases of goods" relates mainly to purchases of natural gas from Group companies.

The heading "Dividends received" includes the supplementary dividend payments made against the share premium account and reserves, recorded as a Euros 25 million decrease in investments in group companies (Euros 570 million in 2022) (Note 7).

The heading "Sale of goods" includes sales of natural gas derived from supply contracts and gas commodity settlements passed on to group companies, which are recorded net under Revenue.

The heading "Other income" basically includes revenue from the impact of costs incurred (Note 22), with the allocation of the Temporary Energy Levy in 2023 (Note 17)

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

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



## Note 26. Information on members of the Board of Directors and the Management Committee

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

The remuneration policy for the members of the Board of Directors was approved at the General Shareholders' Meeting held on 15 March 2022 and is periodically revised by the Board of Directors following a report from the Appointments and Remuneration Committee, in order to keep it aligned with the best practices in the reference market and with the objectives indicated in the Bylaws.

The amount accrued by the members the Board of Directors of Naturgy Energy Group, S.A., for belonging to the Board of Directors, Audit and Control Committee (ACC), Appointments, Remuneration and Corporate Governance Committee (ARGC) and Sustainability Committee (SC), totalled Euros 3,737 thousand (Euros 3,762 thousand in 2022). The amount for 2023 is detailed below (expressed in euros):

	Office	Board	ACC	ARGC	SC	Total
Mr. Francisco Reynés Massanet	Executive Chairman	1,100,000				1,100,000
Ms. Helena Herrero Starkie	Coordinating Director	205,000	44,000		66,000	315,000
Mr. Ramón Adell Ramón	Director	175,000	44,000			219,000
Mr. Enrique Alcántara-García Irazoqui	Director	175,000		44,000		219,000
Ms. Isabel Estapé Tous	Director	175,000			44,000	219,000
Ms. Lucy Chadwick	Director	175,000			44,000	219,000
Mr. Rajaram Rao	Director	175,000		44,000		219,000
Mr. Claudi Santiago Ponsa	Director	175,000	66,000	44,000		285,000
Mr. Pedro Sainz de Baranda Riva	Director	175,000	44,000	66,000		285,000
Mr. Jaime Siles Fernández-Palacios	Director	175,000			44,000	219,000
Rioja S.à.r.l, Mr. Javier de Jaime Gujjarro	Director	175,000		44,000		219,000
Mr. José Antonio Torre de Silva López de Letona (1)	Director	132,661	33,355			166,016
Theatre Directorship Services Beta, S.à.r.l, Mr. José Antonio Torre de Silva López de Letona (1)	Director	42,339	10,645			52,984
		<b>3,055,000</b>	<b>242,000</b>	<b>242,000</b>	<b>198,000</b>	<b>3,737,000</b>

(1) On 28 March 2023 his appointment as an individual director was formalised, replacing the legal entity Theatre Directorship Services Beta, S.à.r.l.

In 2023, as in 2022, no amounts were received for other items.

At 31 December 2023 the Board of Directors comprised 12 members (12 members at 31 December 2022), the Audit and Control Committee had 5 members (5 members at 31 December 2022), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 31 December 2022) and the Sustainability Committee had 4 members (4 members at 31 December 2022).

The members of the Board of Directors of Naturgy Energy Group, S.A., excluding the Executive Chairman, have not received remuneration from profit sharing, bonuses or indemnities, and have not been granted any loans or advances. Neither have they received shares or share options during the year, nor have they exercised options or have options to be exercised.

The members of the Board of Directors are covered with the same liability policy that insures all managers and directors of Naturgy. The premium paid in 2023 by Naturgy Energy Group, S.A. amounted to Euros 673 thousand (Euros 766 thousand in 2022).

### Management Committee Remuneration

For the sole purposes of the information contained in this section, the Management Committee is considered to be the Executive Chairman in relation to his executive functions, the directors reporting directly to the Executive Chairman and the Internal Audit Director.

At 31 December 2023 nine persons made up this group, excluding the Executive Chairman and the Internal Audit Director (nine persons at 31 December 2022), these being the same executives that comprised the Management Committee at 31 December 2022.

The amounts accrued by the Management Committee in 2023 with respect to fixed remuneration, variable remuneration and other items amounted to Euros 11,504 thousand (Euros 5,650 thousand, Euros 5,608 thousand and Euros 246 thousand, respectively) and to Euros 11,261 thousand in 2022 (Euros 5,356 thousand, Euros 5,666 thousand and Euros 239 thousand, respectively). As in 2022, the amount relating to the annual variable remuneration of the Executive Chairman will be settled as a voluntary contribution to his retirement pension plan in accordance with the terms of the relevant agreement.

Share-based payments are detailed in Note 11.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 1,657 thousand in 2023 (Euros 1,471 thousand in 2022). The funds accrued for these contributions, including in the case of the Executive Chairman the amounts contributed voluntarily since 2018 corresponding to his annual variable remuneration accrued, amount to Euros 25,873 thousand for all directors at 31 December 2023 (Euros 21,302 thousand at 31 December 2022).

At 31 December 2023, Naturgy granted guarantees on loans to management personnel amounting to Euros 1,115 thousand. No indemnities were received for departures from the Management Committee in 2023 (none in 2022).

The Chairman's contract approved by the Board of Directors on 6 February 2018 and consistent with the remuneration policy for the members of the Board of Directors approved at the General Shareholders' Meeting held on 28 March 2023, establishes a fixed remuneration component, an annual variable component and a long-term incentive plan, as well as other welfare benefits.

The Chairman's contract provides for an indemnity in the event of the termination or non-renewal of his directorship amounting to two years' total remuneration: total fixed remuneration, annual variable remuneration and the annualised part of long-term remuneration (equivalent to 1.25 times the total fixed remuneration). The indemnity will not be payable in the event of the serious and culpable nonfulfillment of his professional obligations causing significant harm to Naturgy's interests. In addition, as consideration for a post-contractual non-competition agreement with a duration of one year, an indemnity equivalent to one year's full fixed remuneration is provided for.

The contracts concluded with the members of the Management Committee (9) contain a clause providing for compensation equivalent to the legally established indemnity, which varies, depending on seniority, between two and three and a half years' salary. This clause applies to cases of unfair dismissal, as well as those referred to in Articles 40, 41 or 50 of the Workers' Statute, and in one of the contracts to certain situations involving a change in control. In addition, the 9 contracts contain a clause providing for compensation equivalent to one year's fixed remuneration for a post-contractual non-competition commitment lasting up to two years.

## Transactions with members of the Board of Directors and the Management Committee

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

In 2023 and 2022 the Directors of Naturgy Energy Group, S.A. have not notified the Board of Directors of any general situation of conflict of interest.

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

During 2023 and 2022, the members of the Board of Directors and the Management Committee have not carried out related-party transactions outside the ordinary course of business or transactions that have not been conducted under normal market conditions with Naturgy Energy Group, S.A. or Group companies.

## Note 27. Contingent liabilities and commitments

### Guarantees

Guarantees furnished by Naturgy at 31 December 2023 and 2022 are as follows:

- Guarantees provided to third parties, basically for investment commitments of Group companies, amounting to Euros 11 million (Euros 11 million at 31 December 2022).
- Guarantees provided to public bodies, mainly for tax obligations amounting to Euros 263 million (Euros 75 million as at 31 December 2022).
- Guarantees to group companies Naturgy Capital Markets, S.A., Naturgy Finance, B.V. and Unión Fenosa Preferentes, S.A.U. for debt issuances carried out by them totalling Euros 8,115 million (Euros 8,767 million at 31 December 2022).
- Guarantees for obligations under gas purchase and transport contracts and long-term (20 to 25 years) gas tanker chartering contracts of group companies Naturgy LNG Marketing Ltd, Naturgy LNG GOM Limited and Naturgy Aprovisionamientos, S.A. At 31 December 2023 these contracts amount to Euros 7,693 million (31 December 2022: Euros 10,265 million) valued on the basis of current market conditions for the commodities and currencies to which they are linked.
- Parent Company Guarantees (PCGs) associated with the derivative instruments contracted for a total amount of Euros 1,308 million (31 December 2022: Euros 1,267 million).

As the above guarantees are basically granted in order to guarantee the fulfilment of contractual obligations or investment commitments, the events that would lead to their execution, and therefore a cash disbursement, would be the nonfulfillment by Naturgy of its obligations in the ordinary course of its business, the probability of which is considered remote. Naturgy estimates that the liabilities not foreseen at 31 December 2023 if any, that could arise from guarantees furnished would not be significant.

### Contractual commitments

At 31 December 2023 and 2022, the Company has no long-term gas purchase commitments.

Operating lease commitments break down as follows:

	2023	2022
Up to one year	17	19
Between 1 and 5 years	46	63
Between 5 and 10 years	18	26
	<b>81</b>	<b>108</b>

In 2023 this mainly includes operating leases without purchase options on five properties, as detailed below:

Property	Situation	Maturity contract	Extension contract
Avda. San Luis, 77	Madrid	2026	5 years
Acanto, 11-13	Madrid	2026	5 years
Avda. América, 38	Madrid	2030	2 periods of 5 years
Avda. Diagonal, 525	Barcelona	2031	2 periods of 5 years

### Contingent liabilities for litigation and arbitration

At the date of authorisation for issue of these annual accounts, the Company is not involved in any legal or extrajudicial disputes that might result in the recognition of provisions for litigation in the balance sheet. Nevertheless, the main litigation or arbitration cases in which it is involved are disclosed below:

## Contested withholding tax assessments

On 7 July 2023, tax assessments for withholdings on account of non-resident income tax were contested. Allegations against the assessments have been filed with the Central Economic-Administrative Court. It is not considered likely that the risk disclosed therein will materialize.

## Note 28. Auditors' fees

The fees accruing in 2023 and 2022 were as follows:

	2023			2022		
	KPMG Auditores, S.L	Rest KPMG network	Total	KPMG Auditores, S.L	Rest KPMG network	Total
Auditing services	877	—	877	1,172	—	1,172
Assurance services and services related to the audit (1)	152	—	152	898	312	1,210
Tax services	—	105	105	—	167	167
Other services	—	88	88	—	86	86
<b>Total fees</b>	<b>1,029</b>	<b>193</b>	<b>1,222</b>	<b>2,070</b>	<b>565</b>	<b>2,635</b>

(1) In 2022, Euros 1,165 thousand was included for the review/audit of the condensed interim consolidated financial statements at June 2022 associated with the Géminis project. This amount is considered as audit work for the purpose of calculating the "non-audit work/audit work" ratio included in Naturgy's Annual Corporate Governance Report 2022.

## Note 29. Environment

### Environmental actions

Naturgy is aware of its activities' environmental impacts and therefore the Group pays particular attention to the protection of the environment and the efficient use of natural resources to meet energy demand. The Global Environmental Policy, which applies to all countries and businesses, and the Company's highest-ranking policy in favour of sustainable environmental development, the Corporate Responsibility Policy, define Naturgy's environmental action around 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. They also establish Naturgy's voluntary commitment to be a key player in the energy transition towards a circular and decarbonised economy model which, in line with the objectives of the Paris Agreement, drives climate action and biodiversity protection while promoting a fair and inclusive transition by generating and improving employment opportunities.

Naturgy's most immediate, specific and measurable responsibility towards the environment is set out in the Sustainability Plan, which lays down the objectives that guide the Group in its daily performance, in line with the SDGs set by the United Nations and the Strategic Plan defined for the period 2021-2025. Looking farther into the future, with a view to achieving climate neutrality by 2050 the company is committed to investing now in sustainable activities, many of which are eligible under the European Taxonomy:

- Constructing new renewable generation facilities to reach an installed capacity of 48.2% by 2025.
- Focusing on carbon-neutral renewable gases with a target of producing or injecting at least 0.52 TWh into gas networks by 2025.
- Protecting biodiversity, which is partly affected by the climate challenge, and overcoming the risk of a net loss of natural capital as a strategic priority.

In line with the objectives of the Paris Agreement, Naturgy is committed to becoming carbon neutral by 2050, reducing total Scope 1, 2 and 3 emissions in accordance with the 1.5 °C - 2 °C. To this end, the Group will focus on four strategic environmental axes:

- Environmental governance and management.
- Climate change and energy transition.

- Circular economy and eco-efficiency.
- Biodiversity and natural capital.

Detailed information on the Company's environmental management performance and results may be found in the chapter titled "The Opportunity of Environmental Challenges" in the Sustainability Report and Statement of Non-Financial Information for 2023. The most noteworthy milestones are summarised below.

### **Environmental governance and management**

- As reflected in the Environmental Policy, Naturgy goes beyond compliance with legal requirements in environmental matters and adopts more ambitious actions and objectives to ensure respect for the environment. After identifying significant impacts, Naturgy conducts its environmental management based on the principle of prevention, taking the entire business value chain into account. For years, the company has had an integrated management system (IMS) for quality, environment, safety and health, with the environmental component being certified in line with the requirements of ISO 14001 and audited annually. This system aims to prevent pollution and reduce environmental impacts throughout the value chain, involving employees, suppliers and other stakeholders. In 2023, 97.2% of EBITDA derived from certified industrial activities.
- The Company continuously monitors environmental regulations in order to ascertain their potential repercussions on its business in advance. This makes it easier to define its position and adapt to new requirements. Monitoring is implemented through consultation and public information processes in the international, European and domestic spheres. We should highlight that there were no significant environmental sanctions (higher than Euros 10,000) in 2023.
- Concerning possible contingencies, indemnities and other environmental risks that may be incurred by the company, third-party liability insurance policies are in place to cover any damage that might arise.
- The company has obtained various external recognitions in environmental matters. It was classified by CDP as A- for its climate management in 2022 and has remained at the top of this index since 2011.

### **Climate change and energy transition**

- Naturgy is committed to being one of the key players in the energy transition towards a circular and decarbonised economy, as stated in the Environmental Policy. Naturgy operates at all times on the basis of a business model aligned with the highest level of ambition of the Paris Agreement.
- Naturgy has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which aim to improve the disclosure of climate-related risks and opportunities and provide stakeholders with the information necessary to conduct consistent analyses of the potential financial impacts of climate change. At the end of 2023, the TCFD announced that it was dissolved as a working group, and the International Sustainability Standards Board (ISSB) has assumed the monitoring responsibilities of the TCFD from 2024.
- In 2023, the total carbon footprint (scopes 1, 2 and 3) was reduced by 8% compared with 2022. Scope 1 emissions (direct emissions) were 12.5 million tCO<sub>2</sub>eq, 15% lower than in the previous year, mainly due to a lower operation of the Group's combined cycle plants (20% net reduction in electricity generation compared to 2022, mainly in Spain). 2023 has been a good weather conditions year in Spain for renewable generation, meaning that combined cycle plants, which act as back-up for hydroelectric and wind generation, operated less intensively than in 2022, which was a particularly dry year. Indirect Scope 2 emissions were 0.4 million tCO<sub>2</sub>eq, an increase of 9%, and Scope 3 emissions were 101.7 million tCO<sub>2</sub>eq. The latter have fallen by 8% for a number of reasons, the most relevant being the drop in demand for natural gas among end consumers.
- Renewable gases (biomethane and hydrogen) are the key lever for decarbonising Naturgy's gas business. In 2023, the company participated in biomethane projects, reaching a production or grid injection capacity of 0.30 TWh.

- In Spain, 10,490 GWh of renewable electricity has been supplied with guarantees of origin certified by the CNMC for more than 1.6 million contracts, representing 59% of the energy purchased, and an increase of 6% over the previous year.
- Although it has been producing biomethane for several years and injecting it into the gas network, for the first time in 2023 renewable gas has been marketed in Spain, own or acquired in the market, specifically 7,596 MWh of biomethane with guarantees of origin.
- In 2023, Naturgy launched Naturzero, a new brand designed to help its customers with their decarbonisation objectives through actions to mitigate and adapt to climate change, helping to position companies in a market that is increasingly aware and which takes a preferential approach to the most sustainable organisations and products. Naturzero will provide a comprehensive service to its customers, thanks to three associated products, to calculate, reduce and offset their GHG emissions

#### **Circular economy and eco-efficiency**

- With regard to the materials used, fuel consumption has decreased by 17% due to the reduced operation of combined cycle power plants. In other non-combustible materials the reduction has been 11% compared with the previous year, reflecting in both cases an improvement in eco-efficiency. The total quantities of fuels and other materials used in 2023 stood at 4.35 Mt and 5.96 kt respectively.
- Water is a natural resource used in the Group's processes to which particular attention is paid, through analyses of the risks related to water use, discharge quality control, ecological reservoir management, eco-efficiency and the reuse of water in processes, for instance through the integration of wastewater from other activities. On a global level, 777 hm<sup>3</sup> have been collected, of which 17 hm<sup>3</sup> have been consumed, and 760 hm<sup>3</sup> have been returned to the environment in the form of discharges. In absolute terms, in 2023 there were reductions in water abstraction and discharge of 16% in both cases. This was due to the fact that the weather in Spain was favourable for renewable generation leading to a reduction in the activity of combined cycle plants, which act as a back-up for hydroelectric and wind power generation, producing less electricity than in 2022, which was a particularly dry year. To further interpret these results, and given that electricity generation is the activity that uses 99.7% of water resources, specific abstraction, consumption and discharge ratios have been calculated. These indicators, which reflect the amount of water needed to generate one unit of electricity, have shown a considerable improvement compared with the previous year (17.3 hm<sup>3</sup>/TWh vs 19.2 hm<sup>3</sup>/TWh) as eco-efficiency has increased, requiring less water to generate one unit of electricity. This is because the proportion of renewable electricity generated, which does not involve water consumption, increased in 2023 against 2022.
- As can be seen, by 2023 there has been a 21% reduction in water abstraction and discharge in water stressed areas, and a 14% reduction in consumption due to the reduced operation of combined cycle power plants, which represents a significant environmental improvement by mitigating pressure on water resources and promoting more sustainable water use.
- In relation to atmospheric pollutants, in absolute terms there has been a decrease in emissions of SO<sub>2</sub> emissions (18%), mainly due to the use of a fuel with a lower percentage of sulphur in the transport of LNG in methane. Absolute NO<sub>x</sub> emissions increased slightly by 0.5%.
- In 2023 there was a 22% increase in total waste generated. By type, hazardous waste increased by 41% and non-hazardous waste by 21%. This increase has occurred in Spain due to an increase in investment and activity for the improvement of the electricity distribution network and an improvement in the reporting of information on the gas distribution business.. The percentage of recycled or recovered waste improved, standing at 95%, an increase of 4% over the previous year.

#### **Biodiversity and natural capital**

- Naturgy has initiated a project to assess natural capital and biodiversity in all its activities, as determined in the recommendations published in September 2023 by the Task Force on Nature-related Financial Disclosures (TNFD), which aims to manage and disclose nature-related risks, and to drive integrated assessment and nature-related corporate reporting. In the Sustainability Report and Statement of Non-Financial Information 2023, these recommendations have been followed in the chapter on Biodiversity and natural capital, taking into account the information available at end-2023.

- In 2023, Naturgy implemented numerous actions in the natural capital and biodiversity area, all of which were aligned with the prevention, reduction in and compensation for our impacts, in order to progress in the commitment towards zero net loss in biodiversity and the enhancement of the value of the natural surroundings. Specifically, 353 biodiversity initiatives have been carried out on an international level, 22% of which are voluntary.
- 186 environmental studies have been carried out, particularly in relation to generation facilities (thermal, hydraulic and wind) and electricity distribution, in order to ascertain and monitor environment conditions. In the case of thermal and hydraulic power plants, sampling campaigns have been carried out to determine the physiochemical and biological quality of the aquatic environment (rivers, reservoirs, etc.). The latest studies confirm the normality observed throughout the sample series and conclude that the facilities analysed have an acceptable impact on the environment.
- In 2023, environmental restoration actions were carried out on 335.7 hectares. 22% of this area pertained to protected areas, habitats or species.

### European taxonomy

The Revenue indicator shows 23% eligibility, the Opex indicator amounts to 51% eligibility and the Capex indicator reaches 79% eligibility. The result obtained in the Capex indicator reflects the solvency of a sustainable business model and the creation of long-term value for the planet and its inhabitants.

Compared to last year, the Capex eligibility percentage increased by 12%, while the Turnover and Opex figures remained stable at around 23% and 51% respectively. In terms of alignment, Turnover and Capex figures improved by 5% and 15%, respectively, while Opex remained stable.

This topic is analyzed in detail in Section 3.5 in 2023 consolidated annual accounts and in the Annexes to the Sustainability Report and Statement of Non-Financial Information 2023.

### Environmental investment and expenditure

The environmental activities undertaken in 2023 totalled Euros 2.5 million (Euros 2.6 million in 2022), comprising Euros 0.2 million relating to environmental investment and Euros 2.3 million relating to the costs of environmental management at facilities and buildings (Euros 0.3 million for environmental investments and Euros 2.3 million related to expenses incurred in environmental management at facilities in 2022).

### Emissions

In 2023, consolidated CO2 emissions from Naturgy's cogeneration and combined cycle plants subject to regulations governing the European emission trading system totalled 4.9 million tonnes of CO2 (7.4 million tonnes of CO2 in 2022).

Naturgy devises a strategy each year for managing transfers to its CO2 emission allowance coverage portfolio, acquiring them through its active participation in both the primary and secondary markets.

## Note 30. Events after the reporting date

On 12 January 2024, BlackRock announced the acquisition of 100% of Global Infrastructure Partners (GIP), a Naturgy shareholder with a 20.6% interest at 31 December 2023. The transaction is expected to close in the third quarter of 2024, subject to relevant regulatory approvals and other closing conditions.

On 26 February 2024, Naturgy's Board of Directors approved the proposal for the distribution of the Company's net profits for 2023 and retained earnings, which will be submitted to the general meeting of shareholders as described in Note 11.

There have been no other material events after the reporting date..

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## APPENDIX I. NATURGY TAX GROUP COMPANIES

The companies in the Naturgy tax group for the year 2023, according to the statement made to the State Tax Administration Agency, are as follow:

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Naturgy Energy Group, S.A.	Naturgy Generación, S.L.U.
Boreas Eólica 2, S.A.	Naturgy Iberia, S.A.
Comercializadora Regulada, Gas & Power, S.A.	Naturgy Informática, S.A.
Energías Ambientales de Somozas, S.A.	Naturgy Infraestructuras EMEA, S.L.
Eólica Tramuntana, S.L.	Naturgy Ingeniería Nuclear, S.L.
Europe Mahgreb Pipeline Limited	Naturgy Innovahub, S.L.U.
Gas Natural Comercializadora, S.A.	Naturgy Inversiones Internacionales, S.A.
Gas Natural Exploración, S.L.	Naturgy LNG GOM, S.L.
Gas Natural Redes GLP, S.A.	Naturgy LNG, S.L.
Gas Natural Transporte SDG, S.L.	Naturgy Nuevas Energías, S.L.U.
General de Edificios y Solares, S.L.	Naturgy Participaciones, S.A.
Global Power Generation, S.A.	Naturgy Renovables Canarias, S.L.U.
GPG Ingeniería y Desarrollo de Generación, S.L.U.	Naturgy Renovables Ruralia, S.L.U.
GPG México Wind, S.L.U.	Naturgy Renovables, S.L.U.
GPG México, S.L.U.	Naturgy Vento, S.A.
H2Meirama, S.L.	Nedgia Andalucía, S.A.
Holding de Negocios de Gas, S.A.U.	Nedgia Aragón, S.A.
Holding Negocios Electricidad, S.A.	Nedgia Balears, S.A.
JGC Cogeneración Daimiel, S.L.	Nedgia Castilla La Mancha, S.A.
La Propagadora del Gas, S.A.	Nedgia Catalunya, S.A.
Lignitos de Meirama, S.A.	Nedgia Cegas, S.A.
Naturgy Acciones, S.L.U.	Nedgia Madrid, S.A.
Naturgy Alfa Investments, S.A.U.	Nedgia Navarra, S.A.
Naturgy Aprovisionamientos, S.A.	Nedgia, S.A.
Naturgy Capital Markets, S.A.	Operación y Mantenimiento Energy, S.A.
Naturgy Ciclos Combinados, S.L.U.	Parque Eólico Cinseiro, S.L.
Naturgy Clientes, S.A.U.	Parque Eólico Nerea, S.L.
Naturgy Comercializadora Empresas, S.A.	Parque Eólico Peñarrodana, S.L.
Naturgy Commodities Trading, S.A.	Petroleum, Oil & Gas España, S.A.
Naturgy Distribución Latinoamérica, S.A.	Sagane, S.A.
Naturgy Electricidad Colombia, S.L.	Societat Eòlica de L'Enderrocada, S.A.
Naturgy Engineering, S.L.	Tratamiento Cinca Medio, S.L.
Naturgy Future, S.L.U.	UFD Distribución Electricidad, S.A.
Naturgy Generación Térmica, S.L.U.	Unión Fenosa Preferentes, S.A.U.

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**Naturgy Energy Group. S.A.**  
**2023 Report**

**DIRECTORS' REPORT**



# Directors' Report for the year ended 31 December 2023

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# 1. Main aggregate performances

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

	2023	2022	%
Net turnover	1,818	2,628	(30.8)
Operating profit	1,501	1,768	(15.1)
Profit of the year	1,211	1,435	(15.6)
Shareholders' equity	17,980	18,240	(1.4)
Net equity	18,023	18,306	(1.5)
Financial debt (1)	2,548	2,498	2.0

(1) According to the definition of Alternative Performance Metrics (APM) used, Financial debt corresponds to the sum of the Balance Sheet headings "Long-term Financial Debt" (Euros 2,383 million at 31 December 2023 and Euros 1,939 million at 31 December 2022) and "Short-term financial debt" (Euros 165 million at 31 December 2022 and Euros 559 million at 31 December 2021). The relevance to use corresponds to the measure of the company's indebtedness, which includes current and non-current items. This indicator is widely used in capital markets to compare different companies.

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

## 1.1. Business performance and results

### Notes on financial disclosures

Naturgy's financial disclosures contain magnitudes drafted in accordance with International Financial Reporting Standards (IFRS), and Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS. The attached appendix in Consolidated Directors' Report contains a definition of the APMs.

### Main financial aggregates

	2023	2022	%
Net sales	22,617	33,965	(33)%
Ebitda	5,475	4,954	11 %
Ebit	3,470	3,083	13 %
Income attributable to equity holders of the parent	1,986	1,649	20 %
Investments	2,136	1,907	12 %
Net borrowings (at 31/12)	12,090	12,070	0.2 %
Free cash flow after non-controlling interests	2,536	1,914	33 %

### Key financials & metrics

	2023	2022
Leverage	50.3%	54.7%
EBITDA/Net financial debt cost	11,3x	9,9x
Net financial debt/EBITDA	2,2x	2,4x

## Main stock market ratios and shareholder remuneration

	2023	2022
Total no. of shares ('000)	969,614	969,614
Average no. of shares ('000) <sup>1</sup>	960,810	960,908
Share price at 31/12 (Euros)	27.00	24.31
Market capitalisation at 31/12 (Euros million)	26,180	23,571
Earnings per share (Euros) <sup>1</sup>	2.07	1.72
Dividend paid	1,454	1,164

<sup>1</sup> Calculated using the weighted average number of outstanding shares in the year (weighted average number of ordinary shares minus weighted average number of treasury shares).

## Key operating aggregates

<b>Distribution</b>	2023	2022
Gas distribution (GWh)	378,390	386,464
Electricity distribution (GWh)	32,496	34,033
Gas supply points ('000)	11,060	11,050
Electricity supply points ('000)	4,868	4,827
Gas distribution network (km)	136,970	136,272
Length of electricity transmission and distribution network (km)	156,232	155,060

<b>Gas</b>	2023	2022
Supply (GWh)	141,638	217,183
International LNG (GWh)	106,937	125,053
<b>Total gas supply (GWh)</b>	<b>248,575</b>	<b>342,236</b>

<b>Electricity</b>	2023	2022
Supply (GWh)	19,471	21,786
Electricity sales (GWh)	1,124	1,734
<b>Total Electric supply (GWh)</b>	<b>20,595</b>	<b>23,520</b>
Installed capacity thermal generation (MW)	10,675	10,675
Installed capacity renewable (MW)	6,467	5,513
<b>Total installed capacity (MW)</b>	<b>17,142</b>	<b>16,188</b>
Net production thermal generation (GWh)	31,184	37,485
Net production renewable (GWh)	12,704	9,544
<b>Total net production (GWh)</b>	<b>43,888</b>	<b>47,029</b>

## Environmental and social performance

<b>Environment</b>	<b>2023</b>	<b>2022</b>
Power generation emission factor (t CO <sub>2</sub> /GWh)	247	279
Greenhouse gas (GHG) emissions (M tCO <sub>2</sub> eq) <sup>1</sup>	12.9	15.1
Emissions-free installed capacity (%)	41.0	37.5
Emissions-free net production (%)	38.6	29.4
<b>Interest in people</b>	<b>2023</b>	<b>2022</b>
No. of employees at year-end <sup>2</sup>	7,010	7,112
Training hours per employee	41.5	35.9
Men/women (%) <sup>3</sup>	33.9	32.7
<b>Health and safety</b>	<b>2023</b>	<b>2022</b>
No. of accidents leading to time lost	9	8
Frequency of accidents with time lost	0.13	0.12
<b>Commitment to society and integrity</b>	<b>2023</b>	<b>2022</b>
Economic value distributed (Euros million)	20,193	32,089
No. of complaints received by the Ethics Committee	80	43

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

<sup>2</sup> Does not include the number of employees at discontinued operations (21 persons in 2023 and 21 persons in 2022).

<sup>3</sup> Does not include employees at discontinued operations.

<sup>4</sup> Defined in Annex I to the Alternative Performance Measures

## 1.2. Executive summary

Following the unprecedented rise of gas and electricity prices in 2022, the year 2023 experienced a decline of energy prices towards historical average levels as the market rebalanced. In this context, gas and power prices remained highly correlated and the decline of gas prices in Europe translated into a similar decline in wholesale electricity prices. Spain electricity prices were among the most competitive in Europe in 2023.

2023 was marked by plenty regulatory developments as well, aimed primarily at a better balance between affordability, stability, and sustainability, ensuring a more resilient energy system for European citizens and businesses, in response to the energy crisis experienced in 2022.

Against this backdrop, Naturgy endeavored to balance incremental growth in renewables while ensuring security of supply as well as competitive and affordable energy prices.

Naturgy reported € 5,475 million in EBITDA in 2023, 10.5% more than in 2022, maintaining a balanced EBITDA mix between regulated and liberalized activities, which represented approximately 47% and 53% of total EBITDA respectively.

The strong results and cash flow generation supported the important step up in investments, while delivering on dividend commitments and maintaining stable net financial debt levels.

During 2023, investments reached €2,944 (+53% vs FY22) including capital expenditure (Capex) of € 2,136m and renewables acquisitions. Investments were mainly devoted to Renewable Generation projects and Networks Distribution.

In Renewable Generation, installed capacity increased 1GW during 2023 reaching a total capacity of 6.5GW. Consistent with Naturgy's strategic focus, the company continued to grow in Spain, Australia and USA. In Spain, capacity increased by 575MW, through the commissioning of new plants and the integration of ASR wind (422MW). In Australia, wind capacity increased 109MW together with 10MW of battery storage. In USA, the 7V Solar Ranch plant in Texas begun trial operations. With 300MW, this is the largest solar plant Naturgy has ever built and an important milestone for the company.

Renewable Generation growth is expected to accelerate in the coming years with up to 1.2GW and 2.3GW additional capacity coming into operation in 2024 and 2025 respectively.

Furthermore, Naturgy continues to progress on Renewable Gases in Spain, with more than 70 biomethane and hydrogen projects under different stages of development. Spain is deemed as a country with highly attractive prospects in biomethane and a production potential of approximately 160 TWh per annum, which is equivalent to roughly 50% of the total gas demand in 2023. Importantly, 160 TWh per annum is 8x larger than the PNIEC target for 2030, and 3x larger than the proportional target for Spain based on the RePower EU 2030 target.

In terms of infrastructure readiness, Gas Distribution Networks are already capable of distributing biomethane with no modifications. Additionally, Spanish networks are considered modern polyethylene networks which can operate with 20-30% hydrogen blending with minor modifications.

Prudent financial management and capital discipline continued to be a priority in 2023 in the face of persisting market volatility and regulatory uncertainty.

At 2023 year-end, Naturgy's net financial debt stood at € 12,090 million, in line with 2022 levels. The ratio of net financial debt to EBITDA fell from 2.4x at 2022 year-end to 2.2x at 2023 year-end. Naturgy maintains a comfortable liquidity position with € 9,237 million in cash and cash equivalents and undrawn credit lines at the end of 2023. On 30 May 2023, S&P revised Naturgy's outlook to stable (from negative) and affirmed its BBB credit rating, while on 25 October 2023 Fitch affirmed its BBB long-term issuer credit rating with stable outlook.

In terms of shareholder remuneration, a total dividend against 2023 results of € 1.40/share will be proposed to the Annual Shareholder's Meeting, in accordance with the committed dividend policy. Having completed the payment of two interim dividends corresponding to € 0.50/share each in August and November of 2023 respectively, the final dividend of € 0.40/share shall be payable in April 2024, subject to Annual Shareholder's Meeting approval.

Since 2020, Naturgy had a track record of growing EBITDA, Investment and dividends while reducing Net financial debt. Moreover, Naturgy has exceeded guidance in terms of EBITDA and net financial debt, while delivering on its dividend commitments and investment program objectives for 2023.

The company is also progressing on key ESG metrics and is on track to meet its 2025 ESG targets. Regarding environmental metrics, Naturgy continued to reduce its emissions with an 8.5% reduction vs. 2022. With regards to social aspects, Naturgy continues to enhance diversity within the group, having reached a 34% women representation in management positions. Finally, Naturgy remains committed to best governance practices, as demonstrated by the increase to 20% of the management variable pay linked to ESG metrics, including a fair balance of health and safety, diversity, emissions free installed capacity and employee satisfaction metrics.

## Energy demand and commodity prices

Energy demand trended differently in the group's various markets in 2023, declining mainly in Spain and Brazil.

Electricity and gas demand in Spain decreased by an average of 7.2% and 3.2%, respectively, compared to 2022, due to macroeconomic uncertainty and mild temperatures throughout the winter. Similarly, average demand in Gas Distribution Networks Chile and Brazil declined year-on-year by 3.4% and 14.4%, respectively. Conversely, demand for gas and electricity grew in the other Latin American economies where the group operates: by 1.0% in Gas Mexico, 5.6% and 0.4% in Gas and Electricity Argentina, respectively, and 7.3% in Electricity Panama.

Following the unprecedented increase in gas and electricity prices in 2022 linked to the Russia-Ukraine conflict, energy prices declined notably in 2023.

Gas prices in Europe were affected mainly by lower demand and mild temperatures, which resulted in high storage levels, as well as by moderate gas demand in Asia. In this context, average gas prices at the main hubs corrected sharply with respect to the 2022 average: TTF by -63% and JKM by -53%. Wholesale electricity prices decreased by 48% with respect to the 2022 average. Average Brent prices were 18% lower than in 2022.

## Regulatory developments

During 2023, the Group was affected by intense regulatory activity and the publication of measures adopted by the Spanish government to mitigate the impact of high energy prices on consumers. See Appendix IV for more information. Regulatory framework of the consolidated annual accounts.

## Gemini project

On 10 February 2022, Naturgy reported the decision by its Board of Directors concerning the launch of the Géminis project, consisting of a very significant reorganisation of the corporate group of which Naturgy Energy Group, S.A. is the parent company. Specifically, this project envisaged the partial spin-off of Naturgy Energy Group, S.A. giving rise to two large groups with clearly differentiated business profiles.

Updating the status of the Géminis project to the date of authorisation for issue of these annual accounts, the Board of Directors does not consider, at 31 December 2023, that the conditions for the materialisation of the Géminis project are very probable, as is required by accounting regulations for the net assets subject to the spin-off to be classified as held for sale and for any distribution to be made to shareholders.

## COVID-19 update

In May 2023, the World Health Organisation announced that Covid-19 no longer constitutes a Public Health Emergency of International Concern, thereby initiating the transition to long-term management of the disease integrated into the control of acute respiratory infections.

Globally, and particularly in Spain, throughout 2023 the decreasing trend in Covid-related deaths and hospitalisations, the high immunity levels among the population, the low virulence of the successive variants of the disease and the improvement in the management of clinical cases have continued to be observed, resulting in a change in focus of the Covid-19 surveillance and control strategy.

However, Covid-19 has not ceased to be a threat to world health and the global economy, and the Group continues to monitor this risk in order to minimise the adverse effects on business that could be caused by any new outbreaks of the disease.

# 2. Main risks, opportunities and uncertainties

## 2.1. Risk management model

Naturgy's risk management model seeks to ensure that the company's performance is predictable within an acceptable bounded range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in all aspects that are of importance to its stakeholders.

Core goals of the risk measurement and management model include ensuring that material risk factors are correctly identified, assessed and managed. The final objective is to ensure that the level of risk exposure assumed by Naturgy in the course of its business is consistent with the company's defined overall risk profile and the attainment of annual and strategic objectives.

The Integrated Risk Management and Control System is structured as follows:

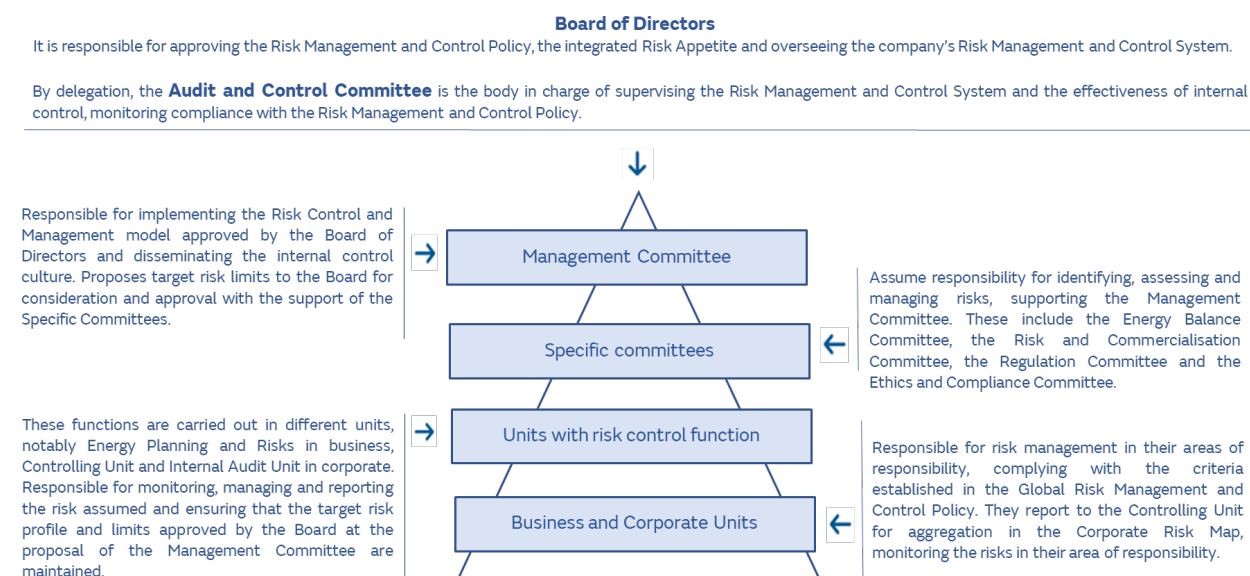
- Risk Governance & Management: risk governance and management mechanism for all risk classes and all businesses.
- Risk Assessment: methodology, procedure and process for identifying, assessing and measuring risks.

- Risk Appetite: definition of risk tolerance by setting limits for the main risk categories, by risk type and by business, as a function of the targets.
- Risk Reporting: regular systematic reporting and monitoring of risk at the various levels of management: Business Units, Corporate Units, Chairman's Office and Board of Directors.

## Risk management bodies

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

To this end, it has a number of bodies with clearly identified areas of responsibility, making it possible to delimit the predictability and ensure the sustainability of the company's operational and financial performance.



In relation to the **specific committees** for the various businesses and subjects, the following are noteworthy:

- The **Energy Balance, Risk and Supply Committee** is responsible for monitoring the performance of energy commodities (gas, electricity, CO<sub>2</sub>, etc.) and indices, and for making management-level purchase, sale and hedging decisions;
- The **Regulation Committee** is tasked with monitoring regulatory initiatives, at both domestic and international level, and making the pertinent decisions; and
- The **Ethics and Compliance Committee** is responsible for supervising the operation of, and compliance with, the Crime Prevention Model and other compliance models adopted by the Naturgy Group.

Those committees are made up of members of the Management Committee and other senior management of the organisation.

**Units with risk control function**, a key task of the Risk Control function within each business or corporate area, is modelling the annual accounts to identify their main sensitivities, anticipate possible negative impacts, and adopt corrective or mitigating actions.

Of these units, which may have representation on specific committees, the following stand out:

- Energy Planning and Risks in business is responsible for monitoring, managing and reporting the risk assumed and ensuring the target risk profile and limits.
- Controlling Unit, within the risk function, is responsible for tracking risks reported by the rest of the company's units and preparing a comprehensive integrated vision in the form of the Corporate Risk Map.



- Internal Audit Unit, as a third line of defence, conducts appropriate audits to assess the level of compliance with the Risk Control and Management Policy.

The **Business and Corporate units** report to the Controlling unit on progress with the risks in their area of responsibility.

## Comprehensive management

Naturgy analyses its overall risk profile on the basis of the potential impact on its annual accounts. In this way, it determines the maximum accepted level of risk exposure in order to manage it appropriately .

The tools that enable Naturgy to achieve continuous improvement in the process of identifying, characterising and determining its risk profile are:

- Global Risk Control and Management Policy: the most recent version was approved by the Board of Directors of Naturgy in November 2020. Its purpose is to establish the general principles and standards of behaviour required to ensure proper identification, reporting, assessment and management of Naturgy's exposure to risk.
- Follow-up of good practices contained in the ISO 31000 guidelines for risk management.
- Corporate Risk Map: identifies and quantifies the risks which might affect Naturgy's performance, considering the characteristics of the risk position (impact variables, potential severity in quantitative and qualitative terms, likelihood of occurrence, and degree of management and control). It is updated and submitted to the Audit and Control Committee each year by the corporate-level Planning, Control and Administration unit.
- Other risk maps: these are developed by Naturgy's Business and Corporate units at their discretion following a common methodology, and they serve as the basis for the Corporate Risk Map .
- Risk Measurement System: The metrics used to assess risk depend on the nature of the risk:
  - Stochastic/probabilistic: a probabilistic simulation of price deviations within a confidence interval.
  - Deterministic/scenarios: expected impact of an event based on its probability.
  - Non-financial stress tests: simulations used on assets, portfolios and positions to determine their reactions to adverse events that are not usually reflected in conventional value or risk analyses, with the objective of evaluating the company's performance in scenarios of exposure to non-financial risks, including risks derived from climate change and biodiversity risk.
  - Heatmaps: qualitative analysis of the risk on a factor basis.

## Risk categories

Naturgy defines five risk types in its Corporate Risk Map: Economic, Financial, Operational, Reputational/Sustainability, and Strategic.

### Types of economic and financial risk

Economic and financial risk are assessed by quantitative modelling.

#### Categories of economic risk

Risk factors with an impact on business results, caused by the volatility of exogenous factors, amendments to regulatory frameworks, or changes in demand with an impact on short-term results.

- **Commodity risk**, the uncertainty caused by variability in the prices of the energy and other commodities that the company uses.
- **Exchange rate risk**, the uncertainty associated with changes during the year in the exchange rates of the currencies in which Naturgy's businesses are denominated.
- **Regulatory risk**, the risk associated with reviews of the remuneration frameworks for the regulated businesses and/or updates to the specific remuneration parameters and/or amendments to the regulatory framework under which Naturgy businesses operate.

- **Volume risk**, risk associated with the variation of volumes produced, distributed and/or supplied due to variations in temperature, changes in customer behaviour as a result of climate change, and the macroeconomic or competitive environment with respect to the base scenario considered in the projections.
- **Margin/price risk**, understood as the price risk not contemplated under commodity risk created by changes in competitive pressure or unachieved margin assumptions.
- **Legal risk**, related to the eventual outcome of litigation, arbitration or legal claims against Naturgy in the year of analysis.

#### Financial risk categories

Risk factors with an impact on the company's cash flow and balance sheet caused by the volatility of financial variables, potential impact of counterparties, amendments to tax frameworks, and provisioning.

- **Credit risk**, unexpected loss due to uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of the end customers and counterparties with which Naturgy operates.
- **Interest rate risk**, variability of the company's financial expenses caused by changes in interest rates and in refinancing needs in the currencies in which Naturgy's debt is denominated.
- **Tax risk**, associated with the proper application of tax regulations, the complexity of their interpretation, and possible amendments, with a potential economic impact on the company's accounts.
- **Liquidity risk**, risk associated with a potential increase in the financing needs required to maintain the company's target rating.
- **Rating risk**, risk of a downgrade of the company's credit rating, considering that the company targets an anchor BBB rating.
- **Provisioning and warranty risk**, risk of maintaining an excessive volume of provisions on the balance sheet, resulting in the risk that they may materialize and their effect on cash outflows.

### Types of operational, reputational/sustainability and strategic risk

Operational, reputational/sustainability and strategic risk are generally assessed using heat maps.

#### Operational risk categories

Risk factors derived from operating the company's human and material assets.

- **Security risk**, understood as the residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.
- **Business continuity and crisis management risk**, the risk of a service-level breach as a result of inadequacy or failure of processes, systems or performance by in-house or third-party staff.
- **Fraud risk**, derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.
- **Cybersecurity risk**, arising from malicious attacks or accidental events with an operational impact that affect data, computer networks or technology.
- **Data protection risk**, the risk associated with breach of data protection obligations that may result in an administrative sanction or civil judgement.
- **Environmental risk**, associated with the possibility that natural phenomena or human action may result in regulatory environmental limits being exceeded or in damage to ecosystems and biodiversity.
- **Customer satisfaction risk**, risk of not offering the customer a distinctive value proposition that places the company in a privileged position to define new relationship models and address the digital transformation.
- **Health and safety risk**, understood as the risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.

### Reputational/Sustainability risk categories

Risk factors associated with behaviours that constitute a departure from good practices in the area of reputation, ESG commitment, compliance, people and climate change.

- **Reputational and ESG risk**, uncertainty in the evolution of stakeholders' perception of the company's reputation and its capacity to engage in business sustainably from an environmental, social and governance point of view.
- **Compliance risk**, risk of Naturgy suffering penalties, financial loss or loss of reputation as a result of non-compliance with legal obligations, as well as regulations, policies and other internal regulations applicable to its activities.
- **Customer satisfaction risk**, risk of not offering the customer a distinctive value proposition that places the company in a privileged position to define new relationship models and address the digital transformation.
- **Climate change risk**, arising from the energy transition (changes to regulations, markets or technologies) and the physical impacts of climate change (acute and chronic).

### Strategic risk categories

Risk factors associated with the company's business portfolio: Long-term commodity exposure, capital employed by geography (soft vs. hard currencies), business risk profile (exposure to regulated vs. merchant businesses).

## 2.2. Description of the main risks

### Commodity risk

#### Electricity and gas volatility

A large proportion of Naturgy's operating results is linked to gas purchased for supply to a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

However, sale prices to end customers are generally arranged on a short/medium term basis and depend on the supply-demand balance in the gas market at any given time. This may result in decoupling with respect to gas procurement prices.

Consequently, Naturgy is exposed to variations in gas procurement prices with respect to the sale price to end customers. This exposure is managed and mitigated by natural hedging, as an attempt is made to balance the commodity exposures of both prices. Additionally, the main long-term procurement contracts allow us to manage this exposure through volume flexibility and price review mechanisms.

When it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, through derivatives (generally designated as hedging instruments) to reduce exposure to price decoupling risk. However, these hedges might be rendered ineffective by changes in the expected dates of the purchase and sale transactions, a reduction in the hedged volumes or decoupling from the indices hedged in the purchase and sale transactions.

In the vertically integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply positioning and by the final sale pricing policies in electricity supply.

The company is exposed to fluctuations in the price of CO2 emission allowances, particularly the purchase of allowances for generation by its combined cycle plants.

### Exchange rate risk

Naturgy has interests in several countries and is exposed to the exchange rate in each of their currencies, as well as to the US dollar.

Exchange rate risk is largely mitigated by financing investments in local currency. Naturgy tries to match costs and revenues in the same currency, as well as amounts and maturities of assets and liabilities arising from transactions denominated in non-Euro currencies.

Additionally, the exchange rate risk is managed by arranging financial derivatives within the limits approved for hedging instruments, the level of exposure and the risk appetite approved each year.

### Margin/price risk

Liberalisation processes in Spain and other major markets have had a significant impact in terms of competitive pressure on final market prices, and on the definition of market shares.

In the electricity industry, the liberalisation of the European market has increased competition due to the entrance of new players, with an impact on the Spanish market, and might have an effect on the performance of the electricity supply and generation businesses.

Naturgy monitors and quantifies the sales margins of all its businesses, identifies material deviations from its spread assumptions and mitigates the risk by adapting sale and purchase formulas to all terms.

### Gas and electricity volume risk

Some purchases of natural gas and liquefied natural gas (LNG) are made under long-term contracts that include clauses under which Naturgy is obliged to buy certain volumes of gas each year (take-or-pay clauses). In the event of a reduction in gas demand, Naturgy might be obliged by contract to pay the minimum amount to which it is bound under such clauses.

Moreover, in an alternative scenario where there is a shortage of gas or excess demand, the additional cost of short-term procurements might have a material adverse effect on the group's operating costs.

All volume risks are measured, monitored and quantified each year, and the company assesses the adequacy of hedges for those linked to climate (temperature, precipitation, etc.), which are managed in accordance with the approved policies and risk appetite.

In the area of electricity generation, Naturgy's earnings are exposed to volume variability, driven by electricity demand and the generation mix in the market, which is being particularly affected by the growing share of renewable energy production.

Naturgy manages its contracts and assets in an integrated manner, optimizing the energy balance.

### Regulatory risk

Regulated and non-regulated activities coexist in the gas and electricity distribution businesses. The legislation applicable to the natural gas and electricity industries is typically subject to regular review by the competent authorities, which might have an impact on the remuneration for regulated activities, affecting Naturgy's business operations and financial position.

As a result of both the COVID-19 crisis and Russia's invasion of Ukraine, most of the authorities in the countries where Naturgy operates have established temporary regulatory measures that may affect regulated businesses.

Naturgy manages regulatory risk on the basis of regular communication with the regulators. In addition, in its regulated activities, Naturgy adjusts its costs and investments to the allowed rates of return for each business.

### Operational risk

Naturgy's activities are exposed to various operational risks, such as breakdowns in the distribution network, accidents at electricity generation facilities, accidents in methane tankers, explosions, pollutant emissions, toxic spills, fires, adverse weather conditions, and breaches of contract.

Additionally, claims might be brought against Naturgy for personal injury and/or other damage arising in the ordinary course of its operations. Such claims could result in the payment of indemnities under the legislation applicable in the countries in which Naturgy operates.

Naturgy has an extensive insurance program to cover its operational exposure.

### Cybersecurity risk

Naturgy is exposed to threats in connection with the availability, confidentiality, integrity and privacy of the information and technology that support business processes as well as the risk of non-compliance with regulations related to cybersecurity.

Such threats include unauthorised access and the use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.

Naturgy has cybersecurity policies that establish vigilance, contingency and security plans, and has arranged insurance to cover this exposure.

### Environmental and Biodiversity risk

This refers to the possibility that, as a result of the company's activities and due to the occurrence of an event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, those derived from emissions of polluting gases other than greenhouse gases (GHG), noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, landscape impact, impact on cultural heritage, etc.

It also includes potential threats related to dependence on nature and impacts on nature. It includes, but is not limited to, physical impacts and impacts derived from changes in regulation related to the destruction and/or alteration of terrestrial, aquatic and/or marine ecosystems, damage to protected or high-value areas and/or species, promotion of the development of invasive species, impacts on areas of high water stress due to consumption, discharge and/or regulation of flows, and fires, etc.

Naturgy has identified the environmental risks at its facilities based on the reference standard: UNE 150008 in Spain. To prevent these risks, the company has implemented a certified integrated management system that includes operational control and environmental management procedures. This system is audited internally and certified and audited externally each year by AENOR. Naturgy has also implemented emergency plans at facilities and warehouses at risk of environmental accidents, including an action plan, means of containment, and regular drills. Naturgy arranges specific insurance policies to cover risks of this type.

Biodiversity risks are discussed in more detail in chapter 6. Environmental opportunities and challenges in section "5. Biodiversity and natural capital" of the Sustainability Report and Non-Financial Information Statement.

### Reputational and ESG risk

Naturgy has identified its stakeholder groups and subgroups and defines reputational risk as the gap between those groups' expectations and the Company's performance in the environmental, social and governance dimensions.

Naturgy has developed a Sustainability Plan that determines its commitments and lines of action in 2021-2025, accompanies the transformation of the company and is aligned with the Strategic Plan 2021-2025, in line with the commitments of the Corporate Responsibility Policy and the Sustainable Development Goals (SDGs). To ensure the reliability of information on environmental, social and governance aspects, Naturgy has implemented a system of Internal Control over Non-Financial Reporting (ICNFR).

As regards environmental aspects, the commitments of the Corporate Responsibility Policy are expanded upon in the global Environmental Policy, applicable to all geographies and businesses, which establishes four strategic environmental pillars:

1. Environmental governance and management
2. Climate change and energy transition
3. Circular economy and eco-efficiency
4. Natural capital and biodiversity

## Climate change risk

In order to integrate the climate variable into Naturgy's strategic planning, climate change risks and opportunities are identified, measured and managed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The most outstanding result of this process is the incorporation of a series of goals into the new Strategic Plan 2021-2025, aligned with the Paris and Glasgow Summit objectives of limiting the global temperature increase to below 2°C and achieving climate neutrality by 2050, and with the United Nations Sustainable Development Goals (SDGs).

Following the TCFD taxonomy, climate change risk is derived from two risk factors: the energy transition, arising from changes in regulations, the market or technology, and the physical impacts of climate change, classified into acute physical impacts (increase in extreme weather events) and chronic physical impacts (sustained increase in average temperatures, and sea level rise).

Naturgy is a member of a number of working groups at European level, which will enable it to adapt its strategy in advance to new regulatory developments, and it participates in clean development projects aimed at reducing CO2 emissions.

In 2022, the EC published the REPowerEU Plan, aimed at reducing dependence on fossil fuels from Russia and accelerating the green transition. Naturgy is aligned with the EU's plan and sees the REPowerEU investment drive as a meaningful opportunity to advance the energy transition.

Climate change risk is discussed in detail in note 2.4.25.k of the Consolidated Annual Accounts and in chapter 6 "The Opportunity of Environmental Challenges" of the Sustainability Report and Non-Financial Information Statement.

## Other risks

Financial risks (interest rate, credit, liquidity and rating-related capital management risk) and legal risks are discussed in Notes 18 and 36, respectively, to the consolidated accounts.

Tax, compliance, data protection, business continuity, security and fraud risks are discussed in Chapter 5 "Integrity and Trust" of the Sustainability Report and Non-Financial Information Statement. Health & safety and Customer satisfaction risks are discussed in chapter 8 "Commitment and Talent" and chapter 7 "Customer Experience", respectively, of that same report.

## Main risks: management, measurement and trends

Risk type	Description	Management approach	Metric	Trend
<b>Commodity risk</b>				
Commodity prices	Gas	Volatility in the international markets that determine the gas price.	Physical and financial hedges. Management of the procurement and sale portfolio.	Stochastic ↑↑ Mismatch between the indices for long-term contracts and European hub prices.
	Electricity	Volatility in electricity markets.	Physical and financial hedges. Optimisation of the generation fleet and supply structure..	Stochastic ↑↑ Penetration by renewables with zero marginal cost and intermittent production.

<b>Exchange rate risk</b>				
Exchange rate	Volatility in international currency markets.	Geographic diversification. Hedging via local-currency funding and derivatives.	Stochastic	Uncertainty about growth and inflation prospects in Latin America, particularly Argentina. ↑
<b>Regulatory risk</b>				
Regulatory	Exposure to reviews of criteria and returns recognised for regulated activities and/or regulatory measures to mitigate emerging macroeconomic situations.	Step up communication with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	Pressure from regulators, as a function of the situation of the country/industry. ↑
<b>Volume risks</b>				
Volume	Gas	Mismatch between gas supply and demand.	Deterministic / Stochastic	Aggregate demand pressure. Risk of curtailment or interruption of supply. ↑↑
	Electricity	Reduction of the available thermal gap. Uncertainty as to renewable production volume due to resource variability.	Stochastic	Aggregate demand pressure. ↑
<b>Margin/price risk</b>				
Margin/price	Risk created by changes in competitive pressure or margin optimisation scenarios.	Portfolio management by adapting long-term purchase and sale formulas.	Scenarios	Reviews of long-term gas contracts ↑
<b>Legal risk</b>				
Legal	Uncertainty as to the eventual outcome of litigation, arbitration or legal claims.	Analysis and mitigation of legal risk affecting the company's operations and corporate governance. Engagement of top-level law firms. Recognition of provisions on a prudential basis.	Scenarios	The business units are affected by different laws in each country. ↔
<b>Operational risk</b>				

Insurable risks	Accidents, damage or non-availability of Naturgy assets.	Continuous improvement plans. Optimisation of the total cost of risk and hedges.	Stochastic	↑	Growing tension in the insurance market as a function of geography and technology due to the rising frequency and severity of both extreme weather events and cybersecurity claims.
<b>Credit risk</b>					
Credit	Uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of end customers and counterparties.	Analysis of customer solvency in order to define specific contractual conditions. Debt collection process.	Stochastic	↔	Increase in expected and unexpected losses due to the probability of default, given the inflation situation and the global energy crisis.
<b>Interest rate risk</b>					
Interest rates and credit spreads.	Interest rate volatility on borrowings, both existing debt and refinancing.	Financial hedges. Diversification of funding sources.	Stochastic	↑	Uncertainty about interest rate scenarios.
<b>Tax risk</b>					
Tax	Ambiguity or subjectivity in the interpretation of current tax regulations, or material amendments to same. Approval of unexpected fiscal measures.	Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Good Tax Practices. Recognition of provisions on a prudential basis.	Scenarios	↑	Different business units are affected by different taxes.
<b>Liquidity, solvency, rating and provision risks</b>					
Liquidity, rating and provision risks	Financial risks associated with maintaining the company's rating, derived from liquidity conditions or other causes. Risks associated with excessive use of funds due to maintaining provisions.	Establishment of a target rating and ensuring sufficient liquidity to maintain it in the event of a potential adverse scenario.	Scenarios	↔	Ratification of the target of an investment grade rating in the Business Plan 2021-2025
<b>Security risk</b>					



Security	Residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructures (CI). Engagement with the businesses, Centro Nacional para la Protección de Infraestructuras Críticas (CNPIC), Instituto Nacional de Ciberseguridad (INCIBE-CERT) and other bodies.	Heatmap/ Scenarios	↔	Certification audits by the regulator (CNPIC) of critical operators, in which technology is of great importance.
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#### Business continuity and crisis management risk

Business continuity and crisis management risk	Risk of failing to maintain service levels as a result of a shortcoming or failure in processes, systems or staff performance.	Annual internal audit plan Weakness detection. Implementation of improvement actions. Audit and Control Committee.	Heatmap/ Scenarios	↑	Increase in the percentage of material recommendations that are implemented.
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#### Fraud risk

Fraud	Risk derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.	Control mechanisms through the Global Policy of the Internal Control System over Financial Reporting. Arrangement of hedges in the insurance market	Scenarios	↔	Maintain low levels of fraud at Naturgy
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#### Cybersecurity risk

Cybersecurity	Malicious attacks or accidental events that affect data, computer networks or technology.	Implementation of security measures; Event analysis and remediation measures; Training.	Scenarios/ Heatmaps	↑	The cybernetic situation is becoming more demanding. Threat protection plan to mitigate the likelihood of these risks and their associated impact.
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#### Data protection risk

Data protection	Uncertainty associated with breaches of data protection obligations that may result in an administrative sanction or civil judgement.	Action Plan by business area to mitigate the risk associated with each obligation based on priority and criticality. The company operates in line with the requirements of the General Data Protection Regulation (GDPR). Internal audit plan in connection with regular compliance reviews.	Heatmap/ Scenarios	↑	Uncertainty and tightening regulatory requirements.
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#### Environmental risk

Environment	Possibility that natural phenomena or human action may result in binding regulatory environmental limits being exceeded, resulting in damage to ecosystems or biodiversity.	Emergency plans at facilities with risk of environmental accident. Specific insurance policies. End-to-end environmental management.	Scenarios/ Heatmaps	↔	Implementation of an Integrated Management System certified and audited each year by AENOR.
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#### Health and safety risk

Health and safety	Risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.	Health and safety management system. Safety plan aimed at controlling the six most critical risk factors in terms of accident frequency and severity: confined spaces, work at heights, electrical risk, tree felling and pruning, load handling, and road safety.	Heatmap/ Scenarios	↔	Accident rates at partner firms.
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#### Reputational and ESG risk

Reputational and ESG	Impairment of stakeholders' perception of Naturgy due to environmental, social and governance issues.	Identification and tracking of potential reputation events. Transparency. Control mechanism through the system of Internal Control over Non-Financial Reporting.	Scenarios/ Heatmaps	↔	Stabilisation of the RepRisk index scores.
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#### Compliance risk

Reputational and crime risk	Administrative and criminal penalties. Impairment of Naturgy's reputation.	Crime prevention policy, Code of Ethics and Anticorruption Policy. Whistleblower channel. Training.	Heatmap/ Scenarios	Criminal offences, penalties, financial losses, and loss of reputation, contracts and customers.
Counterparty risk	Administrative and criminal penalties. Harm arising from breach of contract.	Counterparty Due Diligence Procedure. Training		↑
<b>Climate change risk</b>				
Climate change	Uncertainty arising from the energy transition (regulation, markets and/or technologies) and the physical impacts of climate change.	Corporate positioning via the Global Environmental Policy and Environment Plan, which strengthen governance in climate issues and energy transition targets.	Stochastic/ Scenarios/ Heatmaps	Future technology uncertainty. Increased requirements in connection with the coherence of financial reporting with the company's objectives in connection with mitigating climate change risk.
				↑

Metrics used:

- Stochastic: production of trend lines for the main magnitudes, taking the maximum deviation from the benchmark scenario to be the risk, within a pre-set confidence interval. Those magnitudes are generally EBITDA, earnings after taxes, cash flow and value.
- Scenarios: analysis of the impact, with respect to the benchmark scenario, of a limited number of possible incidents.
- Heatmap: the main risk factors for each risk category are assessed to quantify the impact and probability of the identified risks.
- Non-financial stress tests:
- Application of international risk assessment frameworks: Task Force on Climate-Related Financial Disclosures (TCFD), for climate change, and Task Force on Nature-related Financial Disclosures (TNFD), for biodiversity.

## 2.3. Main opportunities and uncertainties

Naturgy views the energy transition as an opportunity to transform the business and promote the changes needed to achieve a low-carbon economy. In this context, and based on the 2021-2025 Strategic Plan, Naturgy's main opportunities are as follows:

- **A focus on stable geographies**, with low risk and strong currencies, making it possible to capture energy demand growth and maximise business opportunities in new markets.
- **Renewable generation**: growth in renewable generation capacity in line with the global energy transition.
- **Operation and growth in Networks**, based on solid regulatory frameworks with long-term visibility and focused on continuous improvement, digitalisation and automation.
- **Technological development and innovation**: development of innovation projects in hydrogen and hydrogen blending in gas grids, renewable gas, energy efficiency, sustainable mobility and the just transition.
- **Portfolio of natural gas and LNG procurements**: continuous review and optimization of procurement contracts, continuous risk management to ensure predictable cash flows, and adaptation of the LNG carrier fleet to enhance its flexibility.

There are horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, which materialize and have an impact on many of the risk types described in the previous section.

## Uncertainty in the macroeconomic context

In recent years, the global macroeconomic situation has been profoundly altered by the concatenation of several events of unprecedented complexity and depth.

The Covid-19 pandemic and the direct effects of Russia's war on Ukraine, as well as those derived from the measures and sanctions imposed on Russia, caused a global crisis with serious consequences on the world economy, energy being one of the industries most severely affected, with significant increases in the price of natural gas and oil to levels well above those prior to the war and with extreme volatility in daily prices. Despite the turbulence in 2022, some moderation was observed in 2023 due to high storage levels, increased supply and contained growth in demand.

Naturgy monitors the current situation arising from the crisis by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on the business activity, financial situation and economic performance, with particular reference to the generalized increase in commodity prices and the reduced availability of material supplies from conflict-affected areas.

Additionally, the conflict between Palestinians and Israelis has escalated recently following the terrorist attack on Israel in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

As this situation is constantly evolving and it is difficult to predict the extent or duration of the conflict's impact, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

Naturgy has also taken the appropriate decisions to protect its customers' solvency and that of society as a whole by adopting price containment measures.

With regard to gas contracts, Naturgy has a long-term procurement contract for gas of Russian origin that was entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. In 2023 and 2022, Naturgy has received the volumes strictly established in the contract, which accounted for 15% of Naturgy's global supply in 2023 and 14% in 2022. Moreover, Naturgy does not have counterparties that might be affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of these measures and sanctions.

Additionally, a significant proportion of the company's long-term procurements have entered their ordinary price review period; in the course of negotiations, the company seeks the best long-term interests of its shareholders, creditors and other stakeholders.

On the regulatory front, both European and national governments have issued regulations to mitigate the consequences of the war on end users of energy. The regulatory framework is described in Appendix IV of the Consolidated Accounts as of 31 December 2023.

## External geopolitical exposure

Naturgy's operations and assets are exposed to the evolution of political, economic and social environments throughout the world, notably in three main geographical areas outside the European Union:

– Latin America

Uncertainty factors related to investment and business in Latin America include the influence of national governments on the economy, fluctuating economic growth rates, high levels of inflation and devaluation, depreciation or overvaluation of local currencies, a changing interest rate environment, as well as social tensions and political instability.

– Middle East and Maghreb

Naturgy has major procurement contracts for gas from several countries of the Maghreb and the Middle East. The recent conflicts in the Red Sea and the political instability in the area may result in physical damage to the assets of Naturgy's investee companies or the obstruction of the operations of those or other companies, with the result of interrupting the Group's gas supply, increasing shipping costs or delaying Group's gas supply.

– Asia

The Asian market is emerging as a major source of geopolitical uncertainty, given the current heavy dependence of processed renewable component supply chains on Chinese exports. Interruptions in the supply of these components, due to transportation and distribution problems or direct import restrictions, might lead to an increase in material costs and delays in the commissioning of renewable energy projects in progress. Naturgy's operations are also exposed to the growth of the region's economies, such as China, as well as demand from these countries.

### 3. Corporate governance

Attached as an Appendix and forming an integral part of this Directors' Report are the Annual Report on Corporate Governance 2023 and the Annual Report of Director Remuneration 2023, as required by article 538 of the Capital Companies Act.

#### Corporate governance model

Naturgy is governed in accordance with the principles of efficacy, transparency and accountability in line with the main international recommendations and standards.

The corporate governance internal terms of reference comprise mainly:

- Articles of Association (adopted in 2018, updated in 2022).
- Regulations of the Board of Directors and its committees (updated in 2022).
- Regulations of the General Meeting of Shareholders (adopted in 2018, updated in 2022).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2021)

As of 31 December 2023 and 2022, the main shareholders of Naturgy are as follows:

	% interest in share capital	
	2023	2022
- Fundació Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	<b>26.7</b>	26.7
- Global Infrastructure Partners III (2)	<b>20.6</b>	20.6
- CVC Capital Partners SICAV-FIS, S.A. (3)	<b>20.7</b>	20.7
- IFM Global Infrastructure Fund (4)	<b>14.9</b>	14.0
- Sonatrach (5)	<b>4.1</b>	4.1

(1) Holding through Criteria Caixa, S.A.U.

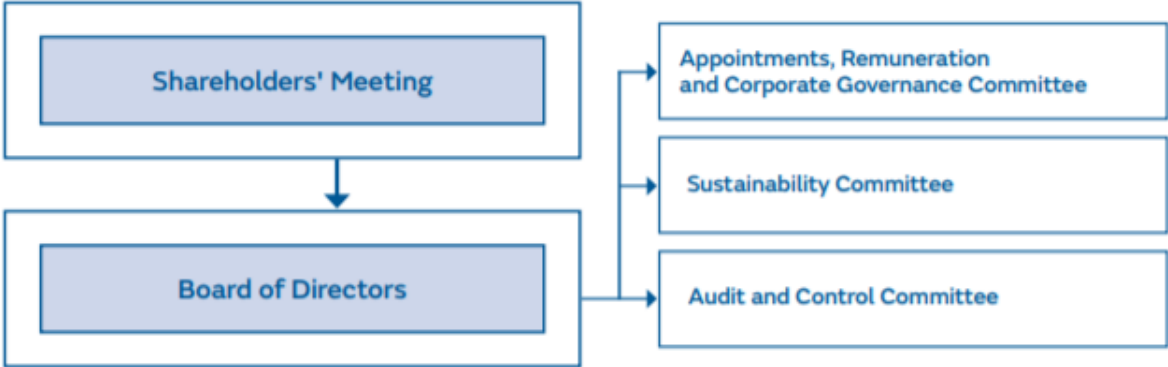
(2) Global Infrastructure Partners III, which is managed by Global Infrastructure Management LLC, holds its stake indirectly via GIP III Canary 1, S.à.r.l.

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

(4) Through Global InfraCo O (2) S.à. r.l.

(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

Naturgy's governance structure is as follows:



### Shareholders' Meeting

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

### Board of Directors

The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the provisions of the Capital Companies Act. Accordingly, the Board of Directors of Naturgy has an Audit Committee, an Appointments, Remuneration and Corporate Governance Committee, and a Sustainable Committee, whose functions are substantially as set out in the Act or those that the Board of Directors has considered appropriate to attribute to them by delegation. Independent directors make up the majority of the Audit and Control Committee. All of the Board committees are chaired by independent directors.

Since the Chairman of the Board of Directors of Naturgy is also an executive director, the company has appointed a lead independent director to mitigate potential conflicts of interest. This position is held by Ms. Helena Herrero, who is an independent director, a member of the Audit and Control Committee and Chairman of the Sustainability Committee. Pursuant to Article 529 septies of the Capital Companies Act, the lead independent director is empowered to request the convening of meetings of the Board of Directors or the inclusion of additional items on the agenda, to coordinate and convene meetings of the non-executive directors and to direct, as appropriate, the periodic assessment of the Chairman of the Board of Directors.

Naturgy also has a Conflicts of Interest Policy, approved in May 2021, that is applicable to all Group employees, including the Executive Chairman. The policy establishes the guidelines to be followed by employees in the event of a conflict of interest, based on the principles of loyalty, abstention and transparency in pursuit of a resolution.

The Board of Directors and its committees engage in preventive risk management and consider aspects linked to corporate responsibility. The Board of Directors is highest body with responsibility for approving corporate governance and corporate responsibility policies. Each year, by authorising the respective reports, it reviews and approves the information on risks and opportunities in those areas.

The main issues considered by the Board of Directors and its committees in 2023, as well as all issues related to corporate governance, in the course of discharging their duties, are detailed in the Annual Report on Corporate Governance 2023, attached as an Appendix of this document.

The Board of Directors of Naturgy has 12 members, the Audit and Control Committee has 5 members, the Appointments, Remuneration and Corporate Governance Committee has 5 members, and the Sustainability Committee has 4 members.

The composition of the Board of Directors and its sub-committees on 31 December 2022 is as follows:

Board of Directors		Audit and Control Committee	Appointments, Remuneration and Corporate Governance Committee	Sustainability Committee	Category of director	Seniority on Board
Executive Chairman	Mr. Francisco Reynés Massanet				Executive	6/02/2018
Lead director	Ms. Helena Herrero Starkie	Director		Chairman	Independent	04/05/2016
Director	Mr. Enrique Alcántara-García Irazoqui		Director		Proprietary	13/05/2021
Director	Ms. Lucy Chadwick			Director	Proprietary	16/03/2020
Director	Ms. Isabel Estapé Tous			Director	Proprietary	16/03/2020
Director	Mr. Ramón Adell Ramón	Director			Proprietary	11/02/2022
Director	Mr. Rajaram Rao		Director		Proprietary	21/09/2016
Director	Rioja S.à.r.l, Mr. Javier de Jaime Guijarro		Director		Proprietary	01/08/2019
Director	Mr. Pedro Sáinz de Baranda Riva	Director	Chairman		Independent	27/06/2018
Director	Mr. Claudi Santiago Ponsa	Chairman	Director		Independent	27/06/2018
Director	Mr. José Antonio Torre de Silva López de Letona (1)	Director			Proprietary	28/03/2023
Director	Jaime Siles Fernández-Palacios			Director	Proprietary	11/02/2022
Secretary (not a director)	Mr. Manuel García Cobaleda	Secretary (not a director)	Secretary (not a director)	Secretary (not a director)	N/A	29/10/2010

(1) On 28 March 2023 his appointment as an individual director was formalised, replacing the legal entity Theatre Directorship Services Beta, S.à.r.l.

## Management structure

There is only one executive director, as described in the previous section, to whom the Board has delegated all its functions except those that the law or the Regulation of the Board of Directors do not permit to be delegated.

Accordingly, the Chairman of the Board of Directors has responsibility for all of the Group's businesses. The group has a structure of executives and managers with the necessary powers to conduct the company's own operations and undertake basic activities relating to its management. The personnel with management responsibilities reporting directly to the Executive Chairman, Mr. Francisco Reynés Massanet, are classified as members of the management team and integrate the Management Committee.

As of 31 December 2023, the Management Committee is comprised of the Executive Chairman and the following:

- Procurement and Wholesale Markets Department, headed by Mr. Jon Ganuza Fernandez de Arroyabe.
- Energy and Network Management Department, headed by Mr. Pedro Larrea Paguaga.
- Renewables and New Businesses Department, headed by Mr. Jorge Barredo López.
- Supply Department, headed by Mr. Carlos Francisco Vecino Montalvo.
- Information Systems Department, headed by Mr. Rafael Blesa Martínez.
- Financial Markets Department, headed by Mr. Steven Fernández Fernández.
- Company Secretariat and Secretariat of the Board of Directors, headed by Mr. Manuel García Cobaleda.

- Sustainability, Reputation and Institutional Relations Department, headed by Mr. Jordi García Tabernero.
- People and Organization Department, headed by Mr. Enrique Tapia Lopez.

Since 31 October, when Mr. Jon Ganuza assumed Procurement and Wholesale Markets Department, the functions of the Planning, Control and Administration Department have been carried out on an interim basis by the heads of the units integrated in said Department, without belonging to the Management Committee.

There are also committees for dealing with specific issues, such as the Energy Balance, Risks and Supply Committee, which is responsible for monitoring the performance of energy commodities (gas, electricity, CO2, etc.) and indices, and for making management-level purchase, sale and hedging decisions; the Regulation Committee, which is tasked with monitoring regulatory initiatives, at both domestic and international level, and making the pertinent decisions; and the Ethics and Compliance Committee, which is responsible for supervising the operation of, and compliance with, the Crime Prevention Model and other compliance models adopted by the Naturgy Group. Those committees are made up of members of the management committee and some of the executives who report directly to them.

## 4. Forecast Group Performance

### 4.1. Vision

#### Strategic pillars

On July 28, 2021, Naturgy presented the **2021-2025 Strategic Plan**, which addresses a new stage that aims to promote our industrial growth while maintaining financial discipline and taking advantage of the opportunities of the energy transition; and to become a best-in-class reference operator through the digitization of processes.

The plan is based on five solid pillars to promote Naturgy's transformation:

1. Growth
2. Focus
3. Best-in-class
4. ESG (Environment, Society and Governance)
5. Culture

Following successful execution of the Strategic Plan in 2018-22, in which the company exceeded all its committed targets, expectations for the coming years were revised and improved and were reported to the market on 12 July 2023. Those targets are, in billion euro:

	Strategic Plan 2021-2025	Revised targets SP 2023-2025
EBITDA 2025E	4.8	5.1
CAPEX 2021-25E	14.0	13.2
Net Financial Debt 2025E	16.9	16.0
Dividends	€1,20 / share	€1,4 / share



## Growth

Our growth aims to be mainly organic, consistent with the energy transition and capable of taking advantage of asset rotation to accelerate the transformation.



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

## Focus

We focus on renewable projects in early stages of development and stable geographies; also in network projects, with a prominent role of digitization and a stable regulatory framework.



- Renewables and networks.
- Stable geographies and regulatory frameworks.
- Volatility reduction in procurement commitments.

## Best-in-class

We are committed to continuous improvement, increasing the digital footprint and reinventing relationships with our customers.



- Continuous improvement.
- Increasing digital footprint.
- Reinventing customer relationships.

## ESG

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



- Embedded at the core
- Aligned with SDG (sustainable development goals).
- Tangible targets to meet commitments.

## Culture

Our corporate culture must intensify the passion of our professionals, allow us to establish our values and be aligned with our stakeholders.



- Fueling passion on our employees.
- Solidifying core values.
- Aligned with stakeholders.

## Key investment objectives

In economic matters, our Strategic Plan pursues investment objectives that were updated in a communiqué to the markets in July 2023 following successful execution in 2018-22. The updated Strategic Plan provides for **investments of €13.2 billion** in the period 2021-25.

These investments will be undertaken while maintaining financial discipline and focusing on projects with predictable returns. Moreover, hand, 80% of the planned investment will be eligible according to the EU taxonomy of sustainable finance. This investment is aligned with the energy transition.

Capital expenditure in 2023-2025 is allocated mainly to the Renewables Generation and Distribution Networks businesses:

**Renewables Generation**

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

**Distribution Networks**

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

**ESG at the core of our vision**

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

Our 2025 objectives in ESG are the following:

**A Environment**

**Net Zero by 2050**

- Reduce total CO<sub>2</sub> emissions by 27% (2025 vs 2017).
- Protect Biodiversity, reaching a figure of more than 350 projects to preserve ecosystems.

**S Social**

**Gender parity by 2030**

- Enhance diversity, reaching more than 40% of women in management positions.
- Extending ESG throughout supply chain up to 95%.

**G Governance**

**Management compensation aligned with ESG**

- Variable pay of 20% linked with ESG objectives.
- Implement climate change risk reporting and taxonomy to maintain leadership positions in the sustainability indices.

## 4.2. Roadmap

Based on these strategic pillars, a roadmap is developed that is specified in economic objectives for each of the businesses.

### Renewable Generation

It is defined for the renewable business a growth strategy based on:

#### 1. Stable geographies

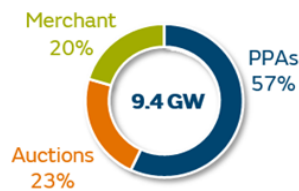
- Low risk and hard currency
- Solid regulatory frameworks
- Long-term visibility

#### 2. Proven technologies

- Solar PV, onshore wind and storage

#### 3. Customer base as a natural hedge

Balancing risks with new capacity



New installed capacity

### Networks

The following key transformation initiatives are defined for the network business:

#### 1. Spain Electricity networks

- At the forefront of electricity networks digitalization
- Increasing investment commitments in line with sector requirements

#### 2. Spain gas networks

- Networks digital transition to ensure bes-in-class operations
- Commercial repositioning
- Accelerating contribution to decarbonization

#### 3. LatAm networks

- portfolio management
- Investments to guarantee maintenance and safety standards

### Energy management

The following key transformation initiatives are defined for the energy management business:

## 1. Energy Management

- Progressive downsizing of procurements commitments
- Ongoing review and optimization of procurement contracts (oil to hub indexation transition)
- Risk management to ensure predictable cash flows
- Downsizing of LNG tanker fleet under time charter
- Exploring value alternatives

## 2. Spain thermal generation

- Remote operation and bottom-up process review of CCGT fleet
- Mothballing of non-performing CCGTs
- Working on hybridization alternatives
- Proactive regulatory management (system back-up)

## 3. LatAm thermal generation

- New opportunities for excess capacity over PPAs
- Cost and investments efficiency
- Exploring value alternatives for Mexico CCGTs

## Supply

The following key transformation initiatives are defined for the supply business:

### 1. Boost competitiveness

- Market repositioning
- Integrated energy offering
- Refocusing of distribution channel strategy, including additional third party agreements
- Enhance profitability

### 2. Reinvent customer relationships

- Redefined customer service
- Enhanced data analysis and customer segmentation
- Increased loyalty through customer value management

### 3. Accelerate digital transformation

- Transition to a new, simpler and integrated digital platform
- Enhanced efficiency in every single operating process

## 4.3. Summary

### Dividend policy and capital allocation

The dividend policy is set with the aim of maintaining a solid BBB rating throughout the period.

In July 2023, Naturgy announced a review of its dividend by setting a floor of €1.40/share for 2023-25 (€1.20/share in 2022) subject to maintaining a BBB credit rating from S&P. This floor for 2023-25 is consistent with the 85% average payout announced in July 2021. Based on the current share price, this represents a return of 5.4% and compensates the company's thousands of shareholders for rising interest rates and inflation.

## 5. Sustainable innovation

### Management vision and approach

The ecological transition to a carbon neutral economy is an opportunity in environmental, social and economic terms. It enables us to reduce our dependence on imported energy, improve our trade balance and move towards a prosperous modern economy. In this global context, meeting the challenge of climate neutrality requires the energy system to be transformed. Achieving this objective calls for a cross-cutting vision, moving from the conventional approach, in which the main energy uses (electricity, space heating, industrial heat, transportation) were analysed and managed individually, to a smart industry integration that flexibly combines renewable generation, storage, demand-side management and renewable fuel generation to optimize energy resources. This new model is supported by:

- **Innovation**, as a key lever for growth, makes it possible to adopt best practices, new business models and energy solutions that contribute to advancing the energy transition and combating climate change, while evolving towards technology solutions that promote process simplification, cybersecurity, data management and digitalization as principles of action.
- Innovation is **collaborative and open**, able to respond quickly to change signals in the environment and evolve in complicated scenarios, with the ability to draw lessons from mistakes and to project the future based on understanding the past and observing the present. The company's innovation model is designed to weave collaborative networks with the ecosystem in order to respond to the complexity of the environment and solve challenges in an agile and effective way, focused on the digitalization of processes and services.
- The production of **renewable gases**, such as **renewable hydrogen and biomethane**, for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediate decarbonization solution for intensive industry and transportation. It also has great potential as a vehicle for energy storage and energy integration. Similarly, biomethane is an existing technology that can replace natural gas without incurring abatement costs to adapt infrastructures or equipment; it is also a clear example of the circular economy since it is a renewable gas produced from organic waste.
- Optimization of **renewable energy generation** through innovative systems due to their superior energy efficiency; their ability to be integrated into the environment at a lower cost or with greater reliability. This will attract new players into the system to cover part of the energy needs of households, SMEs and public administrations.
- The **direct use of energy** through **manageable electricity consumption that provides flexibility in**, for example, air conditioning and mobility, as well as through **storage** for later use.
- The **response to increasingly atomized markets**, with small, fast competitors, in both supply and generation, through smaller renewable plants that are closer to the point of consumption.

On this basis, Naturgy is undertaking an extensive investment program in renewable energies as a result of the 2021-2025 Strategic Plan and developing new lines of business in areas such as renewable gases, hydrogen and biomethane, storage and sustainable mobility; the goal is to provide a broad range of value-added services and promote sustainable innovation as a driver of development, as well as the deployment of a portfolio of projects that enable the company to expand its industrial profile: start-up incubator, investment vehicle, etc.

Additionally, the NextGen EU programme and its application in Spain through the Recovery, Transformation and Resilience Plan represent a clear funding opportunity to respond to the country's main challenges over the next decade.

Two of these main challenges are the energy transition and the digital transformation, both of which are central pillars of Naturgy's Strategic Plan. The company wants to be a key player in accelerating transformation in a sustainable and inclusive way, through innovative, competitive projects that have a positive impact on the environment and society.

Within the framework of the Recovery Plan, Naturgy has presented projects in the following areas:

- Renewable gases, mainly for the development of H2 and biomethane production projects, with a model based on the development of hydrogen valleys and their interconnection and adaptation to the gas network.
- New renewable generation technologies, such as offshore wind and the development of energy storage systems, to favour the integration of renewable energies and provide flexibility to the system.
- Digitalization, including projects for the digitalization of the company's electricity grids, improvements in the operation and maintenance of renewable generation infrastructures, and systems for participating in electricity markets. Also, cross-cutting projects related to data and cybersecurity.
- Energy efficiency, for the development of efficiency solutions and promotion of auto-production by end customers (industrial, tertiary and residential). The proposed projects focus mainly on innovative solutions for shared auto-production, accompanied by social measures that integrate training and rehabilitation, promoted by the Naturgy Foundation.
- Just Transition, in order to promote solutions that guarantee employment and business development in the territories affected by the closure of coal-fired power plants, projects for new renewable power plants and renewable gas plants have been proposed at Just Transition sites.

## Investment in innovation

In Naturgy's business, innovation is mainly focused on developing projects that promote the company's digitalization, ensuring safety and operational improvement, and facilitating access to the best information in a timely manner for better decision making, with the aim of creating value and ensuring the company's long-term competitiveness.

Some of the projects developed in Naturgy's various business area are described below:

### Renewable Generation Spain

- Development and implementation of several improvements through automation and data analysis to enhance the detection of events and anomalies.
- Development of new sensors and analytics in hydroelectric plants in order to reduce the need for human inspections and shorten incident response times.

### Supply Spain

- Implementation of a new commercial platform for distributed generation products as a single system for generating bids, calculating technical requirements based on the location and supporting the customer throughout the sales process and the installation of the auto-production product.
- A single repository with contract and customer service data for advanced analysis of customer information that allows for a 360-degree understanding of Naturgy's customers.
- Application of AI to the consumption curve of customers who so wish.
- Implementation of a demand aggregation platform developed by a spin-off of the Catalonia Energy Research Institute (IREC).

### Gas Distribution Networks Spain

- Project Fractal, an analysis and simulation tool for energy control based on automatic calculations of best estimates and comparative and predictive simulation, with a focus on greater governance.

## Energy Management Spain

- Evolution of the SCADA system that currently supports the operation of Naturgy's generation fleet and its participation in the electricity markets under the Generation Control Office. This system supervises and controls Naturgy's electricity output, sending signals in real time (capacity, voltage, temperature, etc.) and receiving and managing the action instructions sent by the national grid (Red Eléctrica) to maintain the balance between electricity production and demand at all times, as well as ensuring the safety of the grid. This project seeks to upgrade both the software and hardware to achieve a more flexible, parametrizable system with enhanced performance and functionalities that can support different control algorithms and with a graphical interface that does not depend on physical machines.

For more details on innovation projects and investments, see chapter 9 "Innovation and new business" of the Sustainability Report and Non-Financial Information Statement.

## Main lines of innovation in Renewable Gases and New Businesses

The main lines of innovation in Renewable Gases and New Businesses on which Naturgy is currently working are described below:

### Renewable gases

Basing the decarbonization of the economy predominantly on a high level of electrification supported by renewable energies presents technical limitations in certain energy-intensive industries, such as manufacturing and transportation.

Since electrification cannot cover the entire energy demand, further integration of the electricity and gas sectors is an effective solution to achieve the decarbonization goals through the complementarity of renewable gases, gas infrastructure and electricity. The gas grid currently has considerable storage capacity and a reach and capillarity that enable it to transport large amounts of energy to where it is consumed; these features are essential for using renewable gases to decarbonize energy end-use at all points where natural gas is currently consumed.

The development of renewable gases, biomethane and hydrogen, is one of Naturgy's strategic vectors in its business and climate action plan to reduce a significant part of the greenhouse gas (GHG) emissions that make up the company's carbon footprint, to decarbonize the economy and to create jobs in areas affected by the closure of coal-fired power plants. The ultimate goal is to decarbonize all gas-consuming sectors, such as industry, the residential sector and transportation, while focusing on the creation of green jobs in rural areas, in line with Spain's strategy against depopulation.

Renewable gases are present in the REPowerEU Plan, which aims to rapidly reduce dependence on Russian fossil fuels and advance the ecological transition. In this energy context, as one of the main operators of basic natural gas infrastructures, Naturgy has adopted a leading role to drive the development of the renewable gas value chain.

### Biomethane

The production of renewable biomethane from livestock, agricultural or industrial organic waste, or from landfills and wastewater plants, is an excellent example of the circular economy in the energy sector, providing significant environmental benefits, a supplementary source of income for rural areas and a decarbonized supply to end users.

Naturgy is working on a portfolio of projects throughout the integrated value chain, including waste management, and biogas and biomethane production, distribution and supply.

Naturgy has experience in producing renewable gas on a commercial scale, acquired in projects conducted in recent years such as the Elena landfill, new more innovative projects taking shape such as the one in Vilasana (Lleida), and the Bens (A Coruña) wastewater treatment plant (WWTP).

Naturgy currently has a portfolio of 38 projects under way for producing biogas and upgrading to biomethane for injection into the natural gas grid:

- 19 projects based on livestock waste (1,115 GWh/year).
- 1 project based on WWTP sludge (6 GWh/year).
- 10 industrial waste projects (377 GWh/year).
- 1 landfill project (12 GWh/year).
- 6 projects using agricultural waste (439 GWh/year).
- Second phase of the renewable gas mixed unit, research into biogas, biomethane and other gases such as green hydrogen and bio-syngas.

## Hydrogen

Despite its usage difficulties, availability and technology cost, renewable hydrogen has a promising future. The REPowerEU Plan has reinforced Spain's roadmap, which sets a target of 4 GW of installed electrolysis capacity by 2030, i.e., 10% of the target set by the European Union; the draft NECP raised this to 11 GW in a clear sign of support for hydrogen. The support of government and the private sector, especially by existing users of grey hydrogen (e.g. refineries and fertilizer plants), will be essential for the implementation of large-scale projects to attain the expected technology path.

Green hydrogen is an energy vector capable of:

- Channelling large amounts of renewable energy from power generation to sectors where electrification is not feasible.
- Storing and managing energy on a massive scale over long periods of time, matching energy supply and demand.

Spain's existing natural gas transport and distribution infrastructure can be used in the short term to transport hydrogen in the form of a blend of up to 5% without requiring additional investment, in accordance with the provisions of the Directorate General of Energy Policy and Mines Resolution of 21 December 2012 amending the detail protocol PD-01 "Measurement, Quality and Odorization of Gas" as part of the gas system technical management standards. In the medium term, blends of over 10% can be achieved by adapting the compressor stations and other minor components.

To promote the penetration of hydrogen as a renewable energy vector, it is necessary to develop the entire value chain, from production to final demand. Royal Decree 376/2022 establishes a system of Guarantees of Origin (GoOs) for renewable hydrogen, establishing their definition and the conditions for their issuance, which will drive deployment among industrial users with significant decarbonization needs where electrification is difficult and whose location does not coincide exactly with the production site.

For years, Naturgy has been researching the development of hydrogen because of Spain's enormous scope to become a strategic exporter of this new renewable energy that can travel long distances using existing infrastructure integrated with the electricity grid, the goal being to achieve an efficient, resilient energy system. Naturgy, an essential player in energy transmission and distribution, can contribute its global capacity and know-how throughout the value chain.

In 2023, Naturgy worked on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of thermal power plants. The goal of multi-demand hubs is to drive the development of new markets for direct use by industry, injection into the gas grid for supply with guarantees of origin, mobility, and the production of H2 derivatives.



## Storage

The geopolitical situation and the current energy crisis have further boosted renewable energy. Under Spain's National Integrated National Energy and Climate Plan (PNIEC) 2021–2023, renewables energies will account for 74% of the energy mix by 2030. Under current policies, a forthcoming revision of the PNIEC and of the 2030 targets of the European Green Deal will increase the level of ambition for wind and photovoltaic to 81% of Spain's energy mix by 2030.

This presents the energy system with the challenge of equipping itself with flexible tools to manage production, match generation and consumption, avoid sudden drops in production, and provide firm capacity to the system. In this scenario, storage is key to the security and quality of supply.

While development of storage systems, particularly batteries, is ongoing, they are now mature enough to support the development of renewables. Lithium-ion (Li-ion) batteries are currently among the most efficient battery technologies, both technically and economically, and are expected to experience the fastest growth. Nevertheless, the main limitation is price; consequently, in energy markets that are not very mature in the use of this type of storage, projects need government support for development in the short term.

Although Naturgy has tested Li-Ion and redox flow battery projects, the lack of regulation means that it has not been possible to test their operation in the Spanish electricity grid. That is the greatest challenge at present: to manage storage and integrate it into both the power and balancing markets.

A total of over 80 MW in projects are currently in the permitting process and there is a potential portfolio of over 200 MW for the coming years. These projects are being developed with Spanish technology partners and research centres, the aim being to create employment and strengthen the business fabric throughout the projects' value chain.

Accordingly, and as the energy transition is one of the pillars of the Recovery Funds, significant support is expected for this type of project. The aid represents an opportunity to accelerate the implementation of this technology. A stable favourable regulatory framework coupled with the expectation of a reduction in costs suggest that the technology will be viable without subsidies in the medium term, over the next ten years.

## Sustainable mobility

In 2023, Naturgy maintained its commitment to sustainable mobility based on a range of technologies.

In gas, the infrastructure of natural gas vehicle (NGV) refuelling stations for public use continued to be expanded at a national level, oriented towards a transformation to BioCNG; since natural gas has lower emissions than other fossil fuels, it can assist in decarbonizing transportation, particularly heavy goods transportation.

With regard to electric mobility, 419 retail recharging facilities have been installed as well as 67 in the industrial sector, with a further 39 facilities under construction.

Noteworthy initiatives undertaken in 2023 include:

- **Signature of the first contract to provide GoOs for biomethane in heavy goods transportation.** Naturgy has agreed to supply Guarantees of Origin (GoOs) to transportation company Disfrimur for vehicles used in food transportation. The use of biomethane will make it possible to decarbonize heavy and last-mile transport in the short and medium term.
- **Three public natural gas refuelling stations for vehicles owned by Madrid City Government will be upgraded between now and 2039.** As part of the tender conditions, Naturgy undertook to supply more than 80% biomethane during the entire contract period, which means supplying more than 200 GWh of biomethane. This fuel substitution will contribute to reducing emissions by up to 35,000 tCO<sub>2</sub>/year, which is equivalent to taking 14,500 vehicles in a city off the road for one year.

- **Supply of electricity from renewable sources at all public electric charging stations.** Naturgy is committed to promoting renewable energies in the field of mobility, which will allow the decarbonization of light vehicles in urban environments.

## 6. Non-financial information statement

The non-financial information statement for the year 2023, referred to in articles 262 of the Capital Companies Law and 49 of the Commercial Code, is presented in a separate report called “Sustainability report and Non-financial information statement 2023”, in which it is indicated, expressly, that the information contained in said document is part of the Naturgy Group's consolidated directors' report (Appendix II).

This document is subject to verification by an independent verification service provider and is subject to the same approval, deposit and publication criteria as the Naturgy Group's consolidated directors' report.

## 7. Additional information

### 7.1 Treasury shares

Movements during 2023 and 2022 involving the treasury shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	In million euro	% Capital
<b>At 1 January 2022</b>	<b>163,226</b>	<b>4</b>	—
Share Acquisition Plan	15,000	—	—
Delivered to employees	(122,328)	(3)	—
<b>At 31 December 2022</b>	<b>55,898</b>	<b>1</b>	—
Share Acquisition Plan	357,094	10	—
Delivered to employees	(172,992)	(5)	—
<b>At 31 December 2023</b>	<b>240,000</b>	<b>6</b>	—

In 2023 and 2022, no gains or losses were made on transactions involving the Company's treasury shares.

On 5 March 2019, the shareholders in general meeting authorised the Board of Directors to purchase, within five years, in one or more operations, fully paid Company shares; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

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

Transactions involving the Company's treasury shares relate to:

#### 2023

- Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020–2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 treasury shares were acquired for Euros 5.6 million and in April 2023 a total of 172,992 shares amounting to Euros 4.6 million were delivered to employees, leaving a surplus of 37,008 treasury shares which was added to the 55,898 shares left over from the 2019–2021 Share Acquisition Plans. In addition, in July 2023, 147,094 treasury shares were acquired for Euros 4.0 million in addition to the above surplus, bringing the total number of treasury shares to 240,000 at 31 December 2023.

## 2022

- Share acquisition plan: As mentioned in the previous paragraph, as part of the Share Acquisition Plan 2020-2023 the plan for 2021, aimed at Naturgy employees in Spain, was set in motion. This plan was completed in January 2022 through the acquisition of 15,000 treasury shares in addition to the 127,453 shares acquired in December 2021, for an amount of Euros 0.4 million, and a total of 122,328 shares amounting to Euros 3 million were delivered to employees. The surplus of 20,125 treasury shares was added to the 35,773 shares left over from the 2020 and 2019 Share Acquisition Plans.

## 7.2. Disclosure of delays in payment to suppliers

The average payment period is calculated in accordance with Law 15/2010 on measures to combat late payment in business operations and the changes brought in under Law 18/2022 of 28 September on the formation and growth of companies.

In accordance with the above regulations, the information regarding the average payment period to suppliers in commercial operations is as follows:

	2023	2022
	Amount	Amount
Total payments (thousand euro)	432,685	1,291,884
Total outstanding payments (thousand euro)	19,037	21,081
Average supplier payment period (days) (1)	19	26
Transactions paid ratio (days) (2)	19	27
Transactions pending payment ratio (days) (3)	25	23
Total payments within the period established in the default regulations (thousands of euros)	428,694	1,183,136
% of the amount paid within the period established in the default regulations with respect to the total amount paid	99.08 %	91.58 %
Number of invoices paid within the period established in the default regulations	14,461	11,785
% of invoices paid within the period established in the default regulations with respect to the total invoices paid	96.36 %	91.67 %

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

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

(3) Average age, suppliers pending payment balance.

## 7.3. Subsequent events

Events subsequent to the end of the period are described in Note 30 of the Notes to the Annual Accounts.

# 8. Annual Corporate Governance Report

The Annual Corporate Governance Report for the year 2023 of the Company is included as an Annex to the consolidated Management Report of Naturgy, in accordance with the provisions of Article 49.4 of the Commercial Code and in accordance with Article 538 of the Capital Companies Law. Likewise, this report will be available from the publication of these accounts on the corporate website ([www.naturgy.com](http://www.naturgy.com)) and on the website of the CNMV ([www.cnmv.com](http://www.cnmv.com)).

## 9. Annual Directors' Remuneration Report

The Annual Directors' Remuneration Report for the year 2023 is included as an Annex to the consolidated Directors' Report of Naturgy, in accordance with Article 538 of the Capital Companies Law. Likewise, this report will be available from the publication of these accounts on the corporate website ([www.naturgy.com](http://www.naturgy.com)) and on the website of the CNMV ([www.cnmv.com](http://www.cnmv.com)).



# Auditor's Report on Naturgy Energy Group, S.A. and subsidiaries

**(Together with the consolidated annual accounts  
and consolidated directors' report of Naturgy  
Energy Group, S.A. and subsidiaries for the year  
ended 31 December 2023)**

*(Translation from the original in Spanish. In the  
event of discrepancy, the Spanish-language  
version prevails.)*



KPMG Auditores, S.L.  
Paseo de la Castellana, 259C  
28046 Madrid

## **Independent Auditor's Report on the Consolidated Annual Accounts**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*  
To the shareholders of Naturgy Energy Group, S.A.

### **REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS**

#### **Opinion**

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We have audited the consolidated annual accounts of Naturgy Energy Group, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

#### **Basis for Opinion**

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We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition: Unbilled energy supplied

See notes 2.4.23, 2.4.25 and 10 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's businesses that carry out energy supply activities must make estimates of unbilled supplies to end customers in the period between the last meter reading and the end of the reporting period. At 31 December 2023 the Group has recognised revenue from unbilled energy supplied in an amount of Euros 1,027 million.</p> <p>The amount of unbilled energy supplied is estimated based on internal and external information that is compared with the readings contained in the management systems used by the businesses. Revenue is calculated by multiplying the volume of estimated unbilled consumption, a process that is subject to a high degree of uncertainty, by the tariff agreed for each customer.</p> <p>Determining unbilled energy supplied requires the use of estimates by Group management with the application of criteria, judgements and assumptions in its calculations, so the recognition of revenue from unbilled energy supplied has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>– Analysing the design and implementation and the operating effectiveness of the key controls related to the process of estimating unbilled energy supplied.</li><li>– Evaluating the reasonableness of the calculation model used by comparing the estimates made at the close of the previous period and actual invoicing data (retrospective analysis).</li><li>– Assessing the reasonableness of the volume of unbilled energy through an analysis of historical information and other available internal and external data.</li><li>– Evaluating a selected sample of the tariffs applied by comparing them with the data contained in the customer contract databases.</li><li>– We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.</li></ul>



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

**Recoverability of intangible assets, property, plant and equipment and right-of-use assets**

See notes 2.4.6, 2.4.25 and 4 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2023 the Group has recognised intangible assets including goodwill, property, plant and equipment, and right-of-use assets for amounts of Euros 5,969 million, Euros 18,666 million and Euros 1,189 million, respectively, allocated to the cash-generating units (CGUs) detailed in note 4 to the consolidated annual accounts.</p> <p>Under IFRS-EU, the recoverable amount of assets must be estimated when indications of impairment have been identified. Goodwill, intangible assets with indefinite useful lives and in-process intangible assets are not amortised, but are instead tested for impairment at least on an annual basis.</p> <p>The recoverable amount of the assets allocated to the CGUs is generally calculated using methodologies based on discounted cash flows, the estimation of which requires the use of a high degree of judgement by management and the use of assumptions and estimates. For one of the CGUs, fair value was calculated on the basis of third-party offers.</p> <p>At 31 December 2023 the Group has recognised impairment losses on these assets in an amount of Euros 288 million in the consolidated income statement.</p> <p>Due to the high level of judgement required, the uncertainty associated with these estimates and the significance of the amount of the intangible assets, property, plant and equipment and right-of-use assets, the recoverability thereof has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- Evaluating the design and implementation of the key controls related to the process of calculating the recoverable amount.</li> <li>- Assessing the appropriateness of the composition of the CGUs based on our understanding of management of the business.</li> <li>- Analysing the reasonableness and consistency of the assumptions and cash flows included in the pricing models with those considered in the business plans approved by the governing bodies.</li> <li>- Evaluating the reasonableness of the methodology used to calculate value in use, fair value and the main assumptions considered, with the involvement of our valuation and sustainability specialists.</li> <li>- Comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained.</li> <li>- Evaluating the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable.</li> <li>- Comparing the fair value with the offers received from third parties, where fair value less costs to sell has been used as the recoverable amount of the CGU.</li> <li>- We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.</li> </ul>





(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

## Commitments to purchase natural gas and liquefied natural gas for own use

See notes 2.4.8 and 36 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2023 the Group has long-term contractual commitments to purchase natural gas and liquefied natural gas amounting to Euros 55,776 million. These contracts are signed and held to meet the Group's expected need for receiving or delivering gas in accordance with periodical purchase and sale forecasts. Consequently, the Group classifies these contracts as for "own use", adhering to the exception established by the standard enabling them to be recognised as executory contracts, and they are therefore excluded from the scope of IFRS 9 Financial Instruments.</p> <p>The assessment of long-term gas supply contracts to determine whether they should be classified as for "own use" requires management to exercise judgement as regards forecast supply and demand in the short, medium and long term, and the fulfilment of the contractual clauses. Consequently, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>- Evaluating the design and implementation of the key controls linked to the process of assessing the requirements for classifying these contracts as for "own use".</li><li>- Reading and analysing a significant sample of natural gas and liquefied natural gas supply contracts signed by the Group.</li><li>- Analysing whether these supply contracts meet the definition of "own use" stipulated in the applicable financial reporting framework based on an analysis of the conditions set out therein, the quantities acquired during the year, minimum contract quantities and the reasonableness of the Group's gas sales forecasts.</li><li>- We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.</li></ul>

### Other Information: Consolidated Directors' Report

Other information solely comprises the 2023 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

## **Directors' and Audit and Control Committee's Responsibilities for the Consolidated Annual Accounts**

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The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

## **Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts**

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and control committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Audit and Control Committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **European Single Electronic Format**

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We have examined the digital files of Naturgy Energy Group, S.A. and its subsidiaries for 2023 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Company, which will form part of the annual financial report.

The Directors of Naturgy Energy Group, S.A. are responsible for the presentation of the 2023 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

## **Additional Report to the Audit and Control Committee of the Parent**\_\_\_\_\_

The opinion expressed in this report is consistent with our additional report to the Parent's audit and control committee dated 27 February 2024.

## **Contract Period** \_\_\_\_\_

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 9 March 2021 for a period of three years, from the year ended 31 December 2021.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

*(Signed on original in Spanish)*

Eduardo González Fernández

On the Spanish Official Register of Auditors ("ROAC") with No. 20,435

27 February 2024

Annual Consolidated  
Financial Report  
**2023**



## **CONSOLIDATED ANNUAL ACCOUNTS**

Consolidated Balance Sheet  
Consolidated Income Statement  
Consolidated Statement of Comprehensive Income  
Consolidated Statement of Changes in Equity  
Consolidated cash flow statement  
Notes to the consolidated annual accounts

This 2023 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.



## Naturgy Consolidated Balance Sheet

(million euro)

	Note	31.12.2023	31.12.2022
<b>ASSETS</b>			
Intangible assets	5	5,969	5,972
Goodwill		2,930	2,998
Other intangible assets		3,039	2,974
Property, plant and equipment	6	18,666	17,379
Right-of-use assets	7	1,189	1,162
Investments recorded using the equity method	8	612	656
Non-current financial assets	9	484	493
Other non-current assets	10	425	496
Derivatives		123	180
Other assets		302	316
Deferred tax assets	21	1,919	2,210
<b>NON-CURRENT ASSETS</b>		<b>29,264</b>	<b>28,368</b>
Non-current assets held for sale	11	—	—
Inventories	12	1,254	1,828
Trade and other receivables	10	3,254	5,801
Trade receivables for sales and services		2,788	5,152
Other receivables		412	349
Derivatives		15	210
Current tax assets		39	90
Other current financial assets	9	435	408
Cash and cash equivalents	13	3,686	3,985
<b>CURRENT ASSETS</b>		<b>8,629</b>	<b>12,022</b>
<b>TOTAL ASSETS</b>		<b>37,893</b>	<b>40,390</b>
<b>EQUITY AND LIABILITIES</b>			
Capital		970	970
Share premium		3,808	3,808
Treasury shares		(206)	(201)
Reserves		5,332	4,871
Profit for the period attributed to the parent company		1,986	1,649
Interim dividend		(969)	(679)
Other equity items		(1,473)	(2,844)
<b>Equity attributed to the parent company</b>		<b>9,448</b>	<b>7,574</b>
<b>Non-controlling interests</b>		<b>2,481</b>	<b>2,405</b>
<b>EQUITY</b>	<b>14</b>	<b>11,929</b>	<b>9,979</b>
Deferred income	15	951	926
Non-current provisions	16	1,848	1,656
Non-current financial liabilities	17	13,426	13,999
Borrowings		12,130	12,689
Lease liabilities		1,296	1,309
Other financial liabilities		—	1
Deferred tax liabilities	21	2,016	1,951
Other non-current liabilities	19	633	2,100
Derivatives		177	1,664
Other liabilities		456	436
<b>NON-CURRENT LIABILITIES</b>		<b>18,874</b>	<b>20,632</b>
Liabilities related to non-current assets held for sale	11	—	—
Current provisions	16	543	700
Current financial liabilities	17	2,544	2,302
Borrowings		2,368	2,110
Lease liabilities		167	177
Other financial liabilities		9	15
Trade and other payables	20	3,721	6,562
Trade payables		2,756	4,471
Other payables		514	414
Derivatives		327	1,624
Current tax liabilities		124	53
Other current liabilities	19	282	215
<b>CURRENT LIABILITIES</b>		<b>7,090</b>	<b>9,779</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,893</b>	<b>40,390</b>

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated balance sheet at 31 December 2023 and 2022.

## Naturgy Consolidated Income Statement

(million euro)

	Note	2023	2022
Net sales	22	22,617	33,965
Procurements	23	(15,106)	(27,194)
Other operating income	24	255	183
Personnel expenses, net	25	(580)	(547)
Other operating expenses	26	(1,780)	(1,511)
Gain/(loss) on disposals of fixed assets	27	17	8
Release of fixed asset grants to income and other	15	52	50
<b>GROSS OPERATING PROFIT</b>		<b>5,475</b>	<b>4,954</b>
Depreciation, amortisation and impairment losses	4, 5, 6, 7 & 28	(1,742)	(1,532)
Impairment due to credit losses	10	(208)	(228)
Other results	29	(55)	(111)
<b>OPERATING PROFIT/(LOSS)</b>		<b>3,470</b>	<b>3,083</b>
Financial income		313	164
Financial expenses		(817)	(837)
Variations in fair value of financial instruments	9	(5)	13
Net exchange differences		(9)	(5)
<b>NET FINANCIAL INCOME /(EXPENSE)</b>	30	<b>(518)</b>	<b>(665)</b>
Profit/(loss) of entities recorded by equity method	8	90	128
<b>PROFIT/(LOSS) BEFORE TAXES</b>		<b>3,042</b>	<b>2,546</b>
Corporate income tax	21	(768)	(697)
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>2,274</b>	<b>1,849</b>
Profit for the year from discontinued operations, net of taxes	11	—	(23)
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>		<b>2,274</b>	<b>1,826</b>
Attributable to:			
The parent company		1,986	1,649
From continuing operations		1,986	1,672
From discontinued operations		—	(23)
Non-controlling interests	14	288	177
Basic and diluted earnings per share in euros from continuing operations attributable to the equity holders of the parent company		2.07	1.74
Basic and diluted earnings per share in euros from discontinued operations attributable to the equity holders of the parent company		—	(0.02)
Basic and diluted earnings per share in euros attributable to the equity holders of the parent company		2.07	1.72

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated income statement for the years ended 31 December 2023 and 2022.

<b>Naturgy</b>	<b>(million euro)</b>		
<b>Consolidated Statement of Comprehensive Income</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR</b>		<b>2,274</b>	<b>1,826</b>
<b>OTHER COMPREHENSIVE INCOME RECOGNISED DIRECTLY IN EQUITY</b>			
<b>Items that will not be transferred to profit/(loss):</b>		<b>(35)</b>	<b>73</b>
Financial assets at fair value through other comprehensive income	9	—	—
Actuarial gains and losses and other adjustments	16	(47)	97
Tax effect	21	12	(24)
<b>Items that will subsequently be transferred to profit/(loss):</b>		<b>1,386</b>	<b>1,222</b>
Cash flow hedges	18	1,718	1,449
<i>Gains / (Losses) per valuation</i>		1,066	(3,618)
<i>Releases to income statement</i>		652	5,067
Currency translation differences		(77)	(14)
<i>Gains / (Losses) per valuation</i>		(132)	(14)
<i>Releases to income statement</i>		55	—
Equity-consolidated companies	8	(12)	17
<i>Currency translation differences - Gains / (Losses) per valuation</i>		(12)	17
<i>Currency translation differences - Releases to income statement</i>		—	—
Tax effect	21	(243)	(230)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1,351</b>	<b>1,295</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,625</b>	<b>3,121</b>
<b>Attributable to:</b>			
The parent company		3,325	2,856
From continuing operations		3,325	2,833
From discontinued operations		—	23
Non-controlling interests		300	265

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated statement of comprehensive income for the years ended 31 December 2023 and 2022.

## Naturgy Consolidated Statement of Changes in Equity

(million euro)

	Equity attributed to the parent company (Nota 14)										Non-controlling interests (Note 14)	Equity
	Share capital	Share premium	Treasury shares	Reserves and retained earnings	Profit/(loss) for the year	Currency translation differences	Cash flow hedges	Financial assets at fair value	Other equity items	Subtotal		
<b>Balance at 01.01.2022</b>	<b>970</b>	<b>3,808</b>	<b>(204)</b>	<b>4,078</b>	<b>1,214</b>	<b>(1,237)</b>	<b>(2,378)</b>	<b>(362)</b>	<b>(3,977)</b>	<b>5,889</b>	<b>2,984</b>	<b>8,873</b>
Total comprehensive income for the year	—	—	—	74	1,649	(89)	1,222	—	1,133	<b>2,856</b>	265	<b>3,121</b>
<b>Operations with shareholders or owners</b>	—	—	<b>3</b>	<b>42</b>	<b>(1,214)</b>	—	—	—	—	<b>(1,169)</b>	<b>(303)</b>	<b>(1,472)</b>
Dividend distribution	—	—	—	50	(1,214)	—	—	—	—	<b>(1,164)</b>	(303)	<b>(1,467)</b>
Trading in treasury shares	—	—	3	—	—	—	—	—	—	<b>3</b>	—	<b>3</b>
Share-based payments	—	—	—	(8)	—	—	—	—	—	<b>(8)</b>	—	<b>(8)</b>
Other transactions with shareholders or owners	—	—	—	—	—	—	—	—	—	—	—	—
<b>Other changes in equity</b>	—	—	—	<b>(2)</b>	—	—	—	—	—	<b>(2)</b>	<b>(541)</b>	<b>(543)</b>
Other changes	—	—	—	(2)	—	—	—	—	—	(2)	(541)	(543)
<b>Balance at 31.12.2022</b>	<b>970</b>	<b>3,808</b>	<b>(201)</b>	<b>4,192</b>	<b>1,649</b>	<b>(1,326)</b>	<b>(1,156)</b>	<b>(362)</b>	<b>(2,844)</b>	<b>7,574</b>	<b>2,405</b>	<b>9,979</b>
Total comprehensive income for the year	—	—	—	(32)	1,986	(55)	1,426	—	1,371	<b>3,325</b>	300	<b>3,625</b>
<b>Operations with shareholders or owners</b>	—	—	<b>(5)</b>	<b>200</b>	<b>(1,649)</b>	—	—	—	—	<b>(1,454)</b>	<b>(184)</b>	<b>(1,638)</b>
Dividend distribution	—	—	—	195	(1,649)	—	—	—	—	<b>(1,454)</b>	(184)	<b>(1,638)</b>
Trading in treasury shares	—	—	(5)	—	—	—	—	—	—	<b>(5)</b>	—	<b>(5)</b>
Share-based payments	—	—	—	5	—	—	—	—	—	<b>5</b>	—	<b>5</b>
<b>Other changes in equity</b>	—	—	—	<b>3</b>	—	—	—	—	—	<b>3</b>	<b>(40)</b>	<b>(37)</b>
Other changes	—	—	—	3	—	—	—	—	—	3	(40)	(37)
<b>Balance at 31.12.2023</b>	<b>970</b>	<b>3,808</b>	<b>(206)</b>	<b>4,363</b>	<b>1,986</b>	<b>(1,381)</b>	<b>270</b>	<b>(362)</b>	<b>(1,473)</b>	<b>9,448</b>	<b>2,481</b>	<b>11,929</b>

The accompanying Notes 1 to 39 and Appendices are an integral part of the statement of changes in equity for the years ended 31 December 2023 and 2022.

<b>Naturgy</b>		<b>(million euro)</b>	
<b>Consolidated cash flow statement</b>			
	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Profit/(loss) before tax</b>		<b>3,042</b>	<b>2,546</b>
<b>Adjustments to income:</b>	31	<b>1,654</b>	<b>3,057</b>
Depreciation, amortisation and impairment losses	4, 5, 6, 7, 12 & 28	1,742	1,532
Other adjustments to net profit	31	(88)	1,525
<b>Changes in working capital</b>	31	<b>828</b>	<b>(272)</b>
<b>Other cash flow generated from operations:</b>	31	<b>(667)</b>	<b>(1,089)</b>
Interest paid		(650)	(520)
Interest collected		233	87
Dividends collected		127	106
Income tax paid		(377)	(762)
<b>CASH FLOW GENERATED FROM OPERATING ACTIVITIES</b>		<b>4,857</b>	<b>4,242</b>
<b>Cash flows into investing activities:</b>		<b>(3,058)</b>	<b>(1,769)</b>
Group companies, associates and business units	31	(611)	(17)
Property, plant and equipment and intangible assets		(2,424)	(1,687)
Other financial assets		(23)	(65)
<b>Proceeds from divestitures:</b>		<b>243</b>	<b>209</b>
Group companies, associates and business units	31	—	25
Property, plant and equipment and intangible assets		42	162
Other financial assets		201	22
<b>Other cash flows from investing activities:</b>		<b>76</b>	<b>74</b>
Other proceeds from investing activities	15	76	74
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(2,739)</b>	<b>(1,486)</b>
<b>Receipts/(payments) on equity instruments:</b>		<b>(20)</b>	<b>(503)</b>
Acquisition	31	(20)	(503)
<b>Receipts and payments on financial liability instruments:</b>		<b>(619)</b>	<b>(842)</b>
Issue	31	1,869	783
Repayment and amortisation	31	(2,488)	(1,625)
<b>Dividends paid (and remuneration on other equity instruments)</b>	14	<b>(1,624)</b>	<b>(1,500)</b>
<b>Other cash flows from financing activities</b>		<b>—</b>	<b>(9)</b>
<b>CASH FLOW GENERATED FROM FINANCING ACTIVITIES</b>		<b>(2,263)</b>	<b>(2,854)</b>
<b>Effect of fluctuations in exchange rates</b>		<b>(154)</b>	<b>118</b>
<b>VARIATION IN CASH AND CASH EQUIVALENTS</b>		<b>(299)</b>	<b>20</b>
Cash and cash equivalents at beginning of the year	13	3,985	3,965
Cash and cash equivalents at year end	13	3,686	3,985

The accompanying Notes 1 to 39 and Appendices are an integral part of the consolidated cash flow statement for the years ended 31 December 2023 and 2022.

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# Notes to the consolidated annual accounts of Naturgy for 2023

## Note 1. General information

Naturgy Energy Group, S.A. is a public limited company that was incorporated in 1843. Its registered office is located at Avenida de America 38, Madrid, Spain. On 27 June 2018, the shareholders, in general meeting, agreed to change the company's business name to Naturgy Energy Group, S.A., formerly Gas Natural SDG, S.A.

Naturgy Energy Group, S.A. and subsidiaries ("Naturgy") form a group that is mainly engaged in the business of gas (supply, liquefaction, regasification, transport, storage, distribution and sale), electricity (generation, transport, distribution and sale) and any other existing source of energy. It may also act as a holding company and in this respect may incorporate or hold shares in other entities, no matter what their corporate objects or nature, by subscribing, acquiring or holding shares, participation units or any other securities deriving from the same.

Naturgy operates mainly in Spain and, outside Spain, in Latin America, Australia, the USA and the rest of Europe.

Note 3 includes financial information by operating segment.

Appendix I lists the investee companies of Naturgy at the reporting date.

The shares of Naturgy Energy Group, S.A. are listed on the four official Spanish stock exchanges, are traded on the continuous market and form part of the Ibex35.

On 10 February 2022, Naturgy reported the decision by its Board of Directors concerning the launch of the Géminis project, consisting of a very significant reorganisation of the corporate group of which Naturgy Energy Group, S.A. is the parent company. Specifically, this project envisaged the partial spin-off of Naturgy Energy Group, S.A. giving rise to two large groups with clearly differentiated business profiles.

Updating the status of the Géminis project to the date of authorisation for issue of these consolidated annual accounts, the Board of Directors does not consider, at 31 December 2023, that the conditions for the materialisation of the Géminis project are very probable, as is required by accounting regulations for the net assets subject to the spin-off to be classified as held for sale and for any distribution to be made to shareholders.

## Note 2. Basis of presentation and accounting policies

### 2.1. Basis of presentation

The consolidated annual accounts of Naturgy Energy Group, S.A. for 2022 were approved by the shareholders at a general meeting held on 28 March 2023.

The consolidated annual accounts for 2023, which were drawn up and signed by the Board of Directors of Naturgy Energy Group, S.A. on 26 February 2024, will be submitted, along with those of the investee companies, to the approval of the respective General Meetings. It is expected that they will be adopted without any change.

The consolidated annual accounts of Naturgy for 2023 have been prepared on the basis of the accounting records of Naturgy Energy Group, S.A. and the other companies in the Group, in accordance with the provisions of International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS-EU"), as per (EC) Regulation 1606/2002 of the European Parliament and of the Council.

In the preparation of these consolidated annual accounts the historical cost method has been used and, as appropriate, the criteria for the recognition at fair value of financial assets measured at fair value through profit or loss and through other comprehensive income, derivative financial instruments, business combinations, the application of inflation to the historical cost of assets in economies regarded as hyperinflationary, and defined benefit pension plans.

These consolidated annual accounts fairly present the consolidated equity and consolidated financial situation of Naturgy at 31 December 2023, and the consolidated results of its operations, the changes in the consolidated statement of comprehensive income, changes in consolidated equity and the consolidated cash flows of Naturgy for the year then ended.

The figures set out in these consolidated annual accounts are stated in million euro, unless indicated otherwise.

## 2.2. New IFRS-EU and IFRIC interpretations

### Standards that came into force on 1 January 2023

As a result of their approval, publication and entry into force on 1 January 2023 the following standards, interpretations and amendments adopted by the European Union have been applied:

Standards adopted by the European Union		Entry into force for years commencing
IFRS 17 "Insurance contracts"	New standard that replaces IFRS 4.	January 1, 2023.
IAS 8 (Amendment) "Definition of Accounting Estimates"	New definition of accounting estimates.	January 1, 2023.
IAS 1 (Amendment) "Disclosures of Accounting Policies"	Provides new criteria for disclosing material accounting policies.	January 1, 2023.
IAS 12 "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction"	Limits the exemption from initial recognition of deferred tax assets and liabilities for certain single transactions.	January 1, 2023.
IFRS 17 (Amendment) "Initial Application of IFRS 17 and IFRS 9, Comparative Information"	Transition option relating to comparative information on financial assets disclosed on initial application of IFRS 17.	January 1, 2023.
IAS 12 (Amendment) "Income Taxes: International Tax Reform of GloBE Standards (Pillar 2)"	Temporary derogation from accounting for deferred taxes arising from the application of Pillar 2 rules, as well as specific disclosure requirements for affected companies.	January 1, 2023.

None of these standards, interpretations or amendments has been applied early. The application of these standards, interpretations and amendments has not had a material impact on these consolidated annual accounts except for the impact of the amendment to IAS 12 "Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction", which reduces the scope of the exemption from initial recognition so that it does not apply to transactions that give rise to deductible taxable temporary differences. It is therefore mandatory to recognise deferred tax assets and deferred tax liabilities associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities and the related amounts recognised as part of the cost of the related assets.

The recognition of these deferred tax assets and liabilities also applies to the 2022 comparative period presented herein, with an impact on equity of Euros 3 million. This figure is not material for the purposes of the condensed interim consolidated financial statements as a whole.



Management is closely following developments related to the implementation of international tax reforms introducing an additional global minimum tax (Pillar 2). During 2023, the International Accounting Standards Board has issued amendments to IAS 12 which provide for a mandatory temporary exception for the accounting treatment of deferred taxes with respect to the additional tax and require new disclosures in the annual accounts. However, as none of the jurisdictions in which the Group operates had enacted, or substantially enacted, tax legislation relating to the top-up tax as at the date of authorisation for issue of the consolidated annual accounts at 31 December 2023, there is no impact on these accounts. In view of the exception discussed above, management is evaluating the current potential tax impacts of this top-up tax. Once the changes in tax legislation in any jurisdiction in which the Group operates are enacted or substantially enacted, the Group may be subject to the top-up tax. The Group might be subject to top-up tax because it has operations in Ireland where the statutory tax rate is 12.5% and in Puerto Rico where, as a result of the special tax regime applied by our subsidiaries, the effective tax rate is reduced to below 15%.

In the case of Ireland, however, the national tax authorities have announced that, in compliance with Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union, a supplementary tax will be adopted to bring the minimum tax rate to 15%.

Management is evaluating the current potential tax impacts of this top-up tax, although it considers that they will not be material and estimates that, if the top-up tax were to apply in 2023, the effect would be at around Euros 20 million.

In Spain, the draft bill establishing a supplementary tax to guarantee an overall minimum level of taxation for multinational groups and large groups has been submitted for public consultation, which represents the transposition of Directive 2022/2523 into national legislation.

The Company is analysing the implementation of the most appropriate technological tools in order to be able to adequately comply with the new tax obligations imposed by Pillar 2 and, specifically, by the regulations that are expected to be approved by the Spanish Parliament in 2024.

#### **Specific policies relating to the reform of benchmark interest rates**

The Interest Rate Benchmark Reform (hereinafter IBOR reform) was completed on 30 June 2023 for the US dollar with the cessation of the publication of Libor-dollar benchmarks. During this process, a new USD benchmark based on the SOFR and the new hybrid calculation methodology for Euribor that was approved by the authorities in 2019 have been implemented.

Naturgy has been directly affected by this reform because interbank interest rates (IBOR) were used as a benchmark in the Group's financing agreements and derivative financial instruments. Naturgy uses interest rate derivatives - mainly interest rate swaps - as cash flow hedging instruments. Some derivative financial instruments were indexed to floating interest rates which have been affected by the IBOR reform, mainly the Euribor and Libor-Dollar. During the transition period from January 2021 to June 2023, Naturgy adopted the temporary exceptions provided for ("Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Benchmark interest rate reform: Phase 2"), thereby preventing the disruption of existing hedging relationships.

With respect to the Euribor, it has not been necessary to amend existing contracts and, likewise, it is understood that financial instruments indexed to the Euribor are not exposed to a high degree of uncertainty.

In the case of the change from Libor-Dollar to SOFR, the non-disruptive transition of contracts was completed by 31 December 2023, with all lending and credit operations and all derivatives having been brought into line with the new index.

**Standards that will enter force on or after 1 January 2024**

<b>Standards issued by the IASB and yet to be adopted by the European Union</b>		<b>Entry into force for years commencing</b>
IFRS 16 (Amendment) "Lease Liability on a Sale and Leaseback"	Determination of the accounting treatment of the transaction by a lessee-seller	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment)	Classification of liabilities as current or non-current.	1 January 2024
IAS 1 (Amendment) "Non-Current Liabilities with Covenants"	Accounting for liabilities subject to the fulfilment of specific conditions	1 January 2024
IAS 7 and IFRS 7 (Amendment) "Supplier Financing Arrangements"	Information to be disclosed concerning these arrangements	1 January 2024

None of these standards or amendments has been applied early. At 31 December 2023, the impacts that could be caused by the application of these rules and amendments are being analyzed.

**2.3. Comparability**

The information contained in these notes to the consolidated annual accounts for 2023 includes information relating to 2022, for comparative purposes. In 2023, no events have occurred that influence the comparability of the information.

**2.4. Accounting policies**

The main accounting policies used in the preparation of these consolidated annual accounts have been as follows:

**2.4.1. Consolidation****a. Subsidiaries**

Subsidiaries are consolidated as from the date on which control is transferred to Naturgy and are de-consolidated as from the date on which control ceases.

Subsidiaries are companies controlled by Naturgy. Naturgy controls an entity when, as a result of its involvement, it is exposed or entitled to variable returns and has the capacity to influence those returns through the power exercised in the entity.

The profit or loss of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or until the effective date of disposal.

In the consolidation process, transactions and balances between Naturgy's subsidiaries and unrealised gains relating to non-Group third parties are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the equity and profit or loss of the subsidiary companies is broken down under "Non-controlling interests" in the consolidated balance sheet and "Profit attributable to non-controlling interests" in the consolidated income statement.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of acquisition is the fair value of the assets delivered of the equity instruments issued and the liabilities incurred and borne on the date of the exchange, the fair value of any additional consideration that depends on future events (provided that they are likely to occur and can be reliably measured).

In business combinations with acquisition dates subsequent to 1 January 2020, Naturgy applies the definition of "Business" when assessing whether it acquired a business or a group of assets. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities.

Naturgy also has the option of applying a "concentration test" that, if met, eliminates the need for further assessment, by determining whether or not an acquired set of activities or assets constitutes a business. The test is met if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar identifiable assets), in which case the assets acquired would not represent a business.

The intangible assets acquired through a business combination must be recognised separately from goodwill if they met the criteria for asset recognition, whether they are separable or they arise from legal or contractual rights and when their fair value can be reliably measured.

The identifiable assets acquired and the liabilities or contingent liabilities incurred or borne as a result of the transactions are initially stated at their fair value at the date of acquisition.

For each business combination, Naturgy may opt to recognise any non-controlling interest in the acquiree at fair value or as the non-controlling interest's proportional part of the recognised values of the acquiree's net identifiable assets.

Acquisition costs are expensed in the year when they are incurred.

The surplus cost of the acquisition in relation to the fair value of Naturgy's shareholding in the net identifiable assets acquired is recorded as goodwill. If, after assessing the amount of the consideration given and the valuation of the net assets acquired, the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

The measurement period for business combinations begins on the acquisition date and ends when Naturgy concludes that it cannot obtain further information on the events and circumstances that existed at the acquisition date. This period may not in any case exceed one year as from the acquisition date. During the measurement period, the business combination is deemed to be provisional and adjustments to the provisional amount will be recognised, if applicable, as if the business combination had been fully recognised on the acquisition date.

In a business combination achieved in stages, Naturgy values its prior interest in the target's equity at the fair value on the control date, recognising resulting gains or losses in the consolidated income statement.

In relation to the acquisitions of shareholders over which control is already held or sale of shareholdings without loss of control, the difference between the price paid or received and their net carrying value, or as the case may be, the result of their sale, is recorded as equity transactions and does not generate either goodwill or profits.

When an investment is deconsolidated due to a loss of control, any interest retained in the entity is re-measured at fair value and the change in the carrying amount is recognised in the consolidated income statement. This fair value then becomes the initial carrying amount for the purposes of the subsequent recognition of the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amount previously recognised in other comprehensive income in relation to the entity concerned is recorded as if the Group had disposed of the related assets or liabilities directly.

The sale options given to minority shareholders of subsidiary companies in relation to shareholdings in these companies are stated at the current value of the reimbursement, i.e., their exercise price and are carried under "Other liabilities".

The subsidiaries' accounting policies have been adapted to Naturgy's accounting policies for transactions and other events which, due to their similarities, have occurred in similar circumstances.

The subsidiaries' financial statements used in the consolidation process refer to the same reporting date and period as those of Naturgy.

## b. Joint arrangements

In a joint arrangement the parties are bound by a contractual agreement that grants two or more of those parties joint control over the arrangement. Joint control exists when the decisions about material activities require the unanimous consent of all the parties sharing control.

A joint arrangement is classed as a joint operation if the parties hold rights to its assets and have obligations in respect of its liabilities, or as a joint venture if the partners hold rights only to the investees' net assets.

### Joint operations

Interests in joint operations are accounted for using the proportionate method such that the assets and liabilities assigned to joint operations are disclosed in the consolidated balance sheet classified by their specific nature and Naturgy's percentage interest. Revenues and expenses from joint operations are reflected in the consolidated income statement in accordance with their nature and in proportion to Naturgy's percentage interest.

### Joint ventures

Interests in joint ventures are accounted for using the equity method.

Under the equity method, interests in joint ventures are recognised initially at cost and are adjusted thereafter to reflect Naturgy's interest in post-acquisition gains and losses and movements in other comprehensive income.

At each reporting date, Naturgy determines whether there is objective evidence of the impairment of its investment in a joint venture. If impairment is identified, Naturgy calculates the amount of the impairment loss as the difference between the joint venture's recoverable amount and carrying amount, recognising it in the item "Profit/(loss) from equity-consolidated companies" in the consolidated income statement.

## c. Associates

Associates are all entities over which Naturgy has significant influence, the capacity to participate in financial and operating decisions, but not control or joint control. This generally occurs when an interest of between 20% and 50% of voting rights is held.

Investments in associates are accounted for using the equity method described above.

## d. Consolidation scope

Appendix I includes the investee companies directly and indirectly owned by Naturgy that have been included in the consolidation scope.

Appendix II lists the main consolidation scope changes in 2023 and 2022, the most relevant being as follows.

### 2023

On 31 January 2023, through its subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in the companies Romera Eco Power, S.L., Mangos Energy, S.L., Encarnaciones Energy, S.L. and Sol Morón Energy, S.L. and, indirectly, 32.83% of Sun&Wind Sierra Sur, A.I.E.

On 28 March 2023, through its subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in Andújar 100 Solar, S.L. and a 60.1% interest in ICE Andújar, S.L.

On 27 April 2023, through its subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in the companies Hazas Energy, S.L., Josmanil Energy, S.L., Cabrerías Wind Energy, S.L., Villanueva Energy, S.L., Villanueva Two Energy, S.L., and Cortijo Nuevo Energy, S.L. and indirectly a 67.17% interest in Sun&Wind Sierra Sur, A.I.E.

On 26 July 2023, through its subsidiary Naturgy Renovables, S.L.U., Naturgy acquired a 100% interest in Lepe Solar 40, S.L.

On 3 August 2023, through its subsidiary Naturgy Renovables, S.L.U., Naturgy acquired a 100% interest in ASR Wind, S.L., which heads a group of nine companies (Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L.) which, in turn, hold an interest in two companies (SET Veciana, S.L. and SEC Valcaire, S.L.) (Note 32).

On 1 September 2023, the merger between Desarrollo de Energías Renovables de Navarra, S.A., Naturgy Future, S.L., Eólica Tramuntana, S.L., Parque Eólico Cinseiro, S.L. and Andújar 100 Solar, S.L. (target companies) and Naturgy Renovables, S.L.U. was registered, with effect for accounting purposes from 1 January 2023, except for 100 Solar, S.L. with effect for accounting purposes from the acquisition date.

On 13 September 2023, through its subsidiary Naturgy Nuevas Energías, S.L.U., Naturgy acquired a 65% interest in Bioenergía y Valoraciones Ambientales Sevilla, S.L.

In Australia, Naturgy acquired 100% of the shares in the companies Bundaberg Development Finco PTY, Ltd. in March, Bundaberg Solar Development PTY, Ltd. in September and Glenellen Asset Trust and Glenellen Asset PTY Ltd. in October.

Through its subsidiary in the United States, Naturgy Candela Devco, LLC, Naturgy sold Yeager Solar Project, LLC, Yeager Solar Project2, LLC and Vulcan Solar Project, LLC, companies with projects in progress in the Renewables USA area with pre-tax profits of Euros 10 million.

On 30 November 2023 the merger between Lepe 40 Solar, S.L.U., Hazas Energy, S.L., Josmanil Energy, S.L., Cabrerías Wind Energy, S.L., Villanueva Energy, S.L., Villanueva Two Energy, S.L., Cortijo Nuevo Energy, S.L., ASR Wind, S.L., Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L., as target companies, and Naturgy Vento, S.A.U. (named Energías Especiales Alcoholeras, S.A. until 28 June 2023), as acquiring company, was registered. As the target companies were acquired during the year, the date of incorporation into Naturgy has been considered as the effective date for accounting purposes for each company.

For acquisitions of companies made in 2023, Naturgy carried out an analysis of each acquisition to determine whether a business or a group of assets was being acquired, concluding that they were mostly acquisitions of assets and did not constitute businesses, with the exception of those detailed in Note 32.

## 2022

On 8 February, 33.33% of Infraestructuras San Serván SET 400, S.L. was acquired and on 8 March 2022, 100% of Montalto di Castro Solar, S.R.L. was acquired. On 15 July 2022, 100% of Foggia Solar, S.r.l. was acquired. These acquisitions had no material impact on the consolidated annual accounts. On 15 November, 13.77% of Infraestructuras San Serván SET 400, S.L. was sold.

In May 2022, through its subsidiary Naturgy Renovables, S.L.U., Naturgy acquired an additional 50% of Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L., thereby obtaining a 100% controlling interest. These companies are now consolidated as subsidiaries (Note 32).

In December 2022, the sale of 100% of the holding in Naturgy Almacенamientos Andalucía, S.A. was completed, generating a pre-tax loss of Euros 2 million. The assets of Petroleum Oil & Gas España, S.A. were also sold, generating a pre-tax profit of Euros 5.4 million (Notes 11 and 29).

On 12 December 2022 the merger of Unión Fenosa Gas, S.A. with Naturgy Aprovevisionamientos, S.A. was registered, with effect for accounting purposes from 1 January 2022. For these purposes, the merger balance sheet of Unión Fenosa Gas, S.A. at 31 December 2021 and the inclusion in Naturgy Aprovevisionamientos, S.A.'s financial statements of the accounting movements generated in the year by the merged company have been taken into consideration. This operation had no material impact on the consolidated annual accounts.

#### 2.4.2. Foreign currency transactions

Items included in the financial statements of each of Naturgy's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated annual accounts are presented in euros, which is the parent company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

The results and financial position of all Naturgy entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at monthly average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.
- All the currency translation differences are recognised in the Consolidated Statement of Comprehensive Income, and the cumulate amount under the heading Cumulative translation adjustments in equity.

Before being converted to euros the financial statements of Group companies with the functional currency of a hyperinflationary economy are adjusted for inflation following the procedure described below. Once restated, all items in the financial statements are converted to euro applying the year-end exchange rate. The figures for previous periods, which are given for comparative purposes, are not altered.

To determine the existence of hyperinflation, the Group assesses the qualitative characteristics of the economic environment, as well fluctuations in inflation rates in the last three years. The financial statements of companies whose functional currency is that of an economy considered to be highly inflationary are adjusted to reflect changes in the purchasing power of the local currency, such that all items on the balance sheet that are not expressed in current terms (non-monetary items), are restated taking as reference the CPI published by INDEC (National Institute of Statistics and Censuses) at the year end and all income and expenses, gains and losses, are restated on a monthly basis applying appropriate corrective factors. The difference between the initial amounts and the adjusted figures is taken to profit and loss.

The adjustments to goodwill and the fair value arising from the acquisition of a foreign company are treated as assets and liabilities of that company and are translated at the closing exchange rate.

With effect from 1 July 2018, applying the criteria established by IAS 29 "Reporting in Hyperinflationary Economies", the Argentinian economy has been treated as hyperinflationary with effects backdated to 1 January 2018.

The inflation rates used were the domestic wholesale price index (IPIM) until 31 December 2016 and the consumer price index (CPI) as from 1 January 2017.

With effects back-dated to 1 January 2018, an increase in equity was recognised as a result of applying the rise in inflation to the historic cost of non-monetary assets from the date of their acquisition or inclusion in the consolidated balance sheet and recording the relevant deferred tax liability. This effect was reflected in currency translation differences at the beginning of 2018.

After 1 January 2018:

- An adjustment to revenue and expense items was made to apply the variation in inflation from the date they were recognised in the income statement, and to reflect the losses derived from the net monetary position.
- The translation into euro of the figures thus adjusted in the consolidated financial statements is performed applying the year end peso/euro exchange rate.

The exchange rates against the euro (EUR) of the main currencies of Naturgy companies at 31 December 2023 and 2022 have been as follows:

	31.12.2023		31.12.2022	
	Closing Rate	Average accumulated Rate (1)	Closing Rate	Average accumulated Rate (1)
US Dollar (USD)	1.11	1.04	1.07	1.04
Argentinian Peso (ARS)	894.54	894.54	189.7	189.7
Brazilian Real (BRL)	5.36	5.22	5.64	5.38
Chilean Peso (CLP)	971.82	908.69	910.75	917.61
Mexican Peso (MXN)	18.72	18.53	20.86	20.94
Australian Dollar (AUD)	1.63	1.57	1.57	1.5

(1) In Argentina, the closing exchange rate was used because Argentina is classified as a hyperinflationary economy.

### 2.4.3. Intangible assets

#### a. Goodwill

Goodwill represents the amount by which the acquisition cost exceeds the acquisition date fair value of the share in the net identifiable assets of the acquired subsidiary, joint arrangement or associate. Goodwill on acquisitions of subsidiaries or joint arrangements is included in Intangible assets while goodwill related to acquisitions of associates is recorded under Investments using the equity method.

Goodwill is not amortised and it is tested for impairment annually. It is recognised in the consolidated balance sheet at cost less cumulative impairment losses.

Impairment of goodwill cannot be reversed.

#### b. Concessions under IFRIC 12 and other similar concessions

This heading includes the cost of acquisition of concessions if they are acquired directly from a public entity or similar, the fair value attributed to the concession in the event of being acquired as part of a business combination or the cost of construction and improvements of infrastructures assigned to concessions, in accordance with IFRIC 12 “Service concession agreements”.

Assets affected by IFRIC 12, which are those in which the licensor controls the services that Naturgy (operator) must provide, and any material residual interest in the infrastructure at the end of the concession term are recognised as financial assets if the operator holds an unconditional right to receive cash from the licensor and as intangible assets if the operator does not hold such a right but is entitled to charge users for the service. Revenues and expenses on construction services or infrastructure improvements are recognised at their gross amount. Given that concession agreements do not specify the remuneration pertaining to these items, the value of the is estimated based on the expenses incurred, without any margin.

The assets included under this heading are depreciated on a straight-line basis over the term of each concession.

The electricity distribution concessions in Spain and the gas distribution concessions in Chile, all acquired basically as part of a business combination, are not subject to any legal or other limit. Accordingly, as these are intangible assets with an undefined life, they are not amortised, although they are tested for possible impairment annually, as explained in Note 2.4.6.

c. Computer software

Costs associated directly with the production of computer software programs that are likely to generate economic profit greater than the costs related to their production are recognised as intangible assets. The direct costs include the personnel costs of the employees involved in developing the programs.

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

d. Research costs

Research activities are expensed in the consolidated income statement as incurred.

e. Customer acquisition costs

The incremental costs incurred directly to obtain customer contracts that reflect the commissions paid to obtain energy supply contracts with such customers and which are expected to be recovered over the expected duration of the contract are recorded as intangible assets.

Customer acquisition costs recognised as assets are amortised systematically in the consolidated income statement over the average expected useful life of the contracts with customers, which ranges from two to eight years.

f. Other intangible assets

Other intangible assets mainly include the following:

- The costs of licences for Renewable Generation facilities, mainly acquired as part of a business combination, which are amortised over their remaining useful lives.
- Gas supply contracts and other contractual rights purchased as part of a business combination, which are valued at fair value and amortised over the contract term that does not differ significantly from the expected consumption pattern.

There are no intangible assets with an undefined useful life apart from goodwill and the aforementioned concessions for electricity distribution and concessions for gas distribution.

#### 2.4.4. Property, plant and equipment

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

a. Cost



All property, plant and equipment are presented at acquisition or production cost, or the value attributed to the asset in the event that it was acquired as part of a business combination.

The cost of financing technical installations until the asset is ready to be brought into use forms part of property, plant and equipment.

Renewal, extension or improvement costs are capitalised as an increase in an asset's value only if they entail an increase in capacity, productivity or useful life. Major maintenance expenditures are capitalised and amortised over the estimated useful life of the asset (generally 2 to 6 years) while minor maintenance is expensed as incurred.

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

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

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

Property, plant and equipment also includes the investments required to contribute to decarbonisation, foment the circular economy and advance energy independence, particularly in renewable gases and above all for biomethane.

The future costs which Naturgy must meet in relation to the closure and disassembly of certain facilities are included in the value of the assets at the restated value, including the respective provision (Note 2.4.19.).

Revenues from the sale and the costs of items arising during the period over which the property, plant and equipment are brought into operation are recognized in consolidated profit or loss as from 1 January 2022.

Gains and losses on disposals are determined by comparing the sale price with the carrying amount, and are recognised in the consolidated income statement.

#### b. Depreciation

Assets are depreciated using the straight-line method over their estimated useful lives, or over the duration of the concession agreement, if shorter. Estimated useful lives are as follows:

	<b>Estimated useful life (years)</b>
Buildings	33-50
Gas tankers	25-30
Gas transportation and distribution network	20-40
Hydroelectric plants	14-65
Combined cycle gas turbine: (CCGT)	35-40
Nuclear energy plants	44-47
Wind farms	25-30
Photovoltaic farms	25-30
Electricity transmission network	30-40
Electricity distribution network	18-40
Computer hardware	4
Vehicles	6
Other	3-20

Hydroelectric power plants are covered by temporary administrative concessions. Upon termination of the terms established for the administrative concessions, the plants revert to the Government in proper condition, which is achieved by stringent maintenance programs. The calculation of the depreciation charge for the hydro-electric plants differentiates between the different types of assets of which they are composed, distinguishing between investments in civil works (which are depreciated on the basis of the concession period), electro-mechanical equipment (40 years) and the other fixed assets (14 years), taking into account, in any event, the use of the plant and the maximum term of the concessions (expiring between 2024 and 2063).

Naturgy depreciates its nuclear power plants over a useful life of between 44 and 47 years, which corresponds to the life determined in the protocol signed in 2019 with Enresa and the other owners of such facilities. Operating licences for these plants usually have 10-year terms and renewal may not be requested until shortly before the expiration of each licence. Nonetheless, in view of the optimal performance of these facilities and related maintenance programmes, the permits are expected to be renewed at least until the useful life is completed.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount, i.e., when the asset is no longer useful such as due to a rerouting of the distribution pipeline (Note 2.4.6.).

#### **2.4.5. Right-of-use assets**

Naturgy recognises a right-of-use asset on the inception date of the lease (Note 2.4.20.). The cost of the right-of-use asset includes the initial amount of the lease liability, any initial direct costs, lease payments made before or on the inception date, and an estimate of any decommissioning costs to be incurred relating to the asset. Subsequently, the right-of-use asset is recognised at cost less accumulated depreciation and any associated impairment adjustment (Note 2.4.6.), and is adjusted to reflect any subsequent re-estimation of the liability or change in the lease.

Naturgy applies the exemption for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For such leases, Naturgy recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless there is another systematic basis which better represents the timeframe in which the economic benefits of the leased asset are consumed.

Right-of-use assets are amortised on a straight-line basis over the lease term or the underlying asset's useful life, whichever is shorter. If a lease transfers ownership of the underlying asset or the cost of the asset for the right of use reflects that Naturgy expects to exercise a purchase option, the asset related to the right of use is depreciated over the life of the underlying asset. Depreciation commences on the inception date of the lease.

#### **2.4.6. Non-financial asset impairment losses**

Non-financial assets are tested for impairment provided that an event or change in circumstances indicates that their carrying amount might not be recoverable. Additionally, irrespective of the existence of any evidence of impairment, goodwill and intangible assets not in use or with indefinite useful lives are tested at least annually for impairment.

When the recoverable amount is lower than the asset's carrying amount, an impairment loss is recognised in the consolidated income statement for the difference between both. The recoverable amount is calculated at the higher of an asset's fair value less costs of sale and value in use calculated by applying the discounted cash flow method. In general, Naturgy considers value in use as the recoverable amount, except for CGUs where fair value less costs to sell is considered to be a better estimate of the recoverable amount (LPG and Renewable generation Spain).

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

For those CGUs that required an impairment analysis, value in use is determined by the present value of cash flows generated by the CGE in its current condition, based on the best forward-looking information available for the coming years, extended as far as a ten-year period or by the remaining useful life for certain assets and concessions, on the basis of regulations and expected market evolution, drawing on available industry forecasts and past experience of price trends and production volumes.

The extension by the additional years to reach a period of ten years for the cash flow projections or by the remaining useful life of the assets and concessions is explained by the fact that in many cases long-term energy sale agreements have been concluded, long-term estimated price curves are available that are used in the Group's ordinary operations (for contracts, hedging, etc.), the electricity and gas Supply business is influenced by long-term government policies and is based on stable customer relations, there are lengthy regulatory periods and, in the case of electricity and gas transport and distribution concessions, because the mechanism for calculating the new tariff that the relevant regulator will use at the beginning of the new regulatory period is foreseen.

Naturgy believes that its projections are reliable and that it can reliably predict additional cash flows beyond the initial projections.

The cash flows after the ten-year projection period are extrapolated using the growth rates estimated for each CGU, which in no case exceed the average long-term growth rate for the business and country in which they operate. In all cases, they are lower than the growth rates projected for the next ten years. In order to estimate future cash flows for the calculation of residual values, all maintenance investments are taken into account as well as any renovation investments needed to maintain the CGUs' production capacity.

The parameters taken into account to determine the growth rates, which represent the long-term growth of each line of business, are in line with the long-term growth of the country, obtained from inflation estimates from various sources: analyst consensus (Bloomberg), the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), Central Banks, other government agencies and the European Commission for the period 2023–2025 and from 2026 onwards, the Economist Intelligence Unit (EIU).

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

- Risk-free rate: Based on the sovereign bond yield, bearing in mind country risk, currency and market of reference for the CGU, as well as surveys and other sources of information (Damodaran, EIU, etc.).
- Market risk premium: Premium based on surveys and other sources of information (Kroll, Damodaran, Pablo Fernández, etc.).
- Deleveraged Beta: Based on estimated betas for each CGU based on comparables (Bloomberg).
- Cost of financial debt: comprises the functional currency interest rate swap, with a term of 10 to 30 years, plus a spread for credit risk.
- Debt-equity ratio: Based on industry comparables.

A CGU may contain a right-of-use asset and a lease liability. In the impairment test, the liability is recognised when determining the recoverable amount of the CGU, if it is determined that in the event the CGU were disposed of, the buyer would have to assume the lease liability. In this case, the treatment is as follows:

- If the recoverable amount is determined using the value in use, the value of the lease liability is considered in both the value of the tested assets and their value in use, without considering the cash outflows linked to the lease contracts in the test flows but directly reducing the value in use by the carrying amount of the lease liability.
- If the recoverable amount is determined using fair value less costs to sell, the value of the lease liability is taken to be the value of the tested assets, and the recoverable amount is determined as the amount that would be realised on the disposal of the CGU's assets and the liabilities associated with the rights of use. The liability is discounted using the implicit interest rate of the lease contract.

The impairment loss of an asset, individually considered, is recognised in the consolidated income statement, reducing the carrying value of the asset to its recoverable amount. The asset's depreciation charges are adjusted in future periods in order to apportion the revised carrying amount of the asset, less any residual value, systematically over its remaining useful life.

An impairment loss is recognised for a CGU if its recoverable amount is less than the carrying amount. This loss is allocated firstly, to the goodwill, and then to the other CGU assets in proportion to their respective carrying values. These reductions are treated as impairment losses on individual assets. The carrying amount of an asset is not reduced below the higher of its recoverable amount and zero, and this undistributed loss is allocated on a pro-rata basis among the other assets of the CGU.

Impairment adjustments to an asset, other than goodwill, that were recognised in previous periods may be reversed if and only if there was a change in the estimates used to determine the recoverable amount since the most recent impairment loss was recognised.

## 2.4.7. Financial assets and liabilities

### Financial assets

Naturgy classifies its financial assets based on their valuation category, which is determined on the basis of the business model and the characteristics of the contractual cash flows, and reclassifies financial assets if and only if it changes its business model for managing such assets.

Purchases and sales of investments are recognised on the trade date, which is the date on which Naturgy commits to purchasing or selling the asset.

On initial recognition, they are classified in the following categories:

#### a. Financial assets at amortised cost

These are debt instruments which are held to collect contractual cash flows when those cash flows consist only of principal and interest payments. They include current assets, except for those maturing after twelve months as from the balance sheet date, which are classified as non-current assets.

They are recorded initially at fair value and then at amortised cost using the effective interest rate method. Interest income from these financial assets is included in financial income. Any gain or loss that arises when they are derecognised is recognized directly in consolidated results and any impairment losses are recorded as a separate item in the consolidated income statement for the year.

#### b. Financial assets at fair value through profit or loss

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

Equity instruments classified in this category are recognised at fair value and any gain or loss arising from changes in fair value, or the proceeds of their sale, are included in the consolidated income statement.

The fair values of listed investments are based on their listed prices (Level 1). In the case of shareholdings in unlisted companies, fair value is determined using valuation techniques that include the use of recent transactions between willing and knowledgeable parties, references to other instruments that are substantially the same and the analysis of discounted future cash flows (Levels 2 and 3). If recent available information is insufficient to determine fair value, or if there are a range of possible fair value measurements and the cost value is the best estimate within that range, the investments are recorded at their acquisition cost reduced by any impairment losses.

### c. Equity instruments at fair value through other comprehensive income

These are equity instruments with respect to which Naturgy has made an irrevocable decision at the time of initial recognition to record them in this category. They are recognised at fair value and any increases or reductions arising from fair value fluctuations are recorded under other comprehensive income, except for dividends derived from these investments which are recognised under income for the year. Therefore no impairment losses are recognised in the income statement, and at the time of their sale, no gains or losses are reclassified to the consolidated income statement.

Fair value measurements recognised in these consolidated annual accounts are classified using a fair value hierarchy that reflects the relevance of the variables employed to perform the measurement. This ranking has three levels:

- Level 1: Valuations based on the quotation price of identical instruments in an official market. The fair value is based on quoted market prices at the balance sheet date.
- Level 2: Valuations based on variables that are observable for the asset or liability. The fair value of financial assets included in this category is determined using valuation techniques. These measurement techniques maximise the use of available observable market data inputs and rely as little as possible on entity-specific estimates made by Naturgy. If all significant inputs required to calculate the fair value are observable, the instrument is included in Level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3.
- Level 3: Valuations where any significant variable is not based on observable market data.

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

Receivables assignment agreements are treated as factoring without recourse provided that the risks and rewards inherent in ownership of the financial assets assigned are transferred.

The impairment of financial assets is based on an expected loss model. Naturgy accounts for the expected loss and the changes therein at each reporting date to reflect the changes in credit risk from the date of initial recognition, without waiting for an impairment event to occur.

Naturgy applies the general expected loss model for financial assets with the exception of Trade and other receivable without a significant financial component, for which the simplified expected loss model is used.

The general model requires the recognition of the expected loss resulting from a default event in the coming 12 months or over the duration of the contract, depending on the evolution of credit risk on the financial asset since initial recognition in the balance sheet. In the simplified model, credit losses expected over the duration of the contract are recognised from the outset, taking into account available information on past events (such as customer payment behaviour), current conditions and forward-looking factors (macroeconomic factors such as GDP, unemployment, inflation, interest rates, etc.) if considered that it might impact the credit risk of Naturgy's debtors.

### Financial liabilities

On initial recognition, they are classified in the following categories:

#### a. Financial liabilities at amortised cost

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

In the event of contractual modifications of a liability at amortised cost that do not result in derecognition, the modified contractual flows of the refinanced debt are discounted at the original effective interest rate, and the resulting difference with respect to the original carrying amount is recognised in consolidated profit or loss on the date of the modification.

The difference between the carrying amount of a derecognised financial liability and the consideration paid is recognised in profit or loss for the period.

Borrowings are classified as current liabilities unless they mature in more than twelve months as from the consolidated balance sheet date, or include tacit renewal clauses at Naturgy's option.

In addition, trade and other current payables are financial liabilities that fall due in less than twelve months; they are initially recognised at fair value, do not accrue explicit interest, and are carried at their nominal value.

**b. Financial liabilities at fair value through profit or loss**

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

#### 2.4.8. Derivatives and other financial instruments

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

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

In order for each hedging operation to be considered effective, Naturgy documents that the economic relationship between the hedging instrument and the hedged asset is aligned with its risk management objectives. When defining the hedging operation, the hedging ratio, understood as the amount of the hedged item divided by the amount of the hedging item, is calculated and any potential causes of ineffectiveness are determined, which are normally linked to changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged and decoupling with respect to the indices hedged in the purchase and sale transactions.

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

- Derivatives listed on an official market are calculated on the basis of their year-end quotation (Level 1).
- Derivatives that are not traded on official markets are calculated on the basis of the discounting of cash flows based on year-end market conditions or, in the case of non-financial items, on the best estimate of the forward price curves of such items (Level 2 and 3).

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

As mentioned in Note 2.2., Naturgy adopted the temporary exceptions established as a result of the Benchmark Interest Rate Reform to the application of the specific hedge accounting requirements for hedging relationships that were in place at 1 January 2021 or those designated subsequently until 20 June 2023 that are directly affected by the IBOR reform.

Derivatives embedded in other financial instruments or in other host contracts are recognised separately as derivatives only when their financial characteristics and inherent risks are not strictly related to the instruments in which they are embedded and the whole item is not being carried at fair value through consolidated profit or loss.

For accounting purposes, the operations are classified as follows:

## 1. Derivatives eligible for hedge accounting

### a. Fair value hedge

Fair value changes in designated derivatives that qualify as fair value hedges are recognised in consolidated profit or loss together with any fair value changes in the hedged item.

### b. Cash flow hedges

The portion identified as an effective hedge of fair value changes in derivatives that are designated and qualify as cash flow hedges is recognised in equity under other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in consolidated profit or loss under the relevant heading based on the nature of the hedged item. An ineffective portion is considered to exist when the change in value of the hedging instrument, in absolute terms, is greater than the change in value of the hedged item.

When derivatives are arranged, the hedging ratio, understood as the amount of the hedged item divided by the amount of the hedging item, is calculated and any potential causes of ineffectiveness are determined, which are normally linked to changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged and decoupling with respect to the indices hedged in the purchase and sale transactions.

When options contracts are used to hedge forecast transactions, the Group only designates the intrinsic value of the options contract as the hedging instrument.

Amounts accumulated in equity are transferred to the consolidated income statement in the period in which the hedged item affects the gain or loss, as follows:

- The gain or loss relating to the effective portion of interest rate swaps is recognised in the financial expense at the same time as the interest expense in the hedged loans.
- When a hedging instrument covers a forecast transaction, the accumulated amounts remain in equity until the forecast transaction takes place. When the forecast transaction does not occur, the amount accumulated in equity is immediately reclassified to income for the period.

If the hedged item subsequently results in the recognition of an asset, the amount accumulated in equity will be recognised in the initial cost of the asset.

If this amount is a loss and it is not expected to be recovered, it will be reclassified immediately to consolidated profit or loss as a reclassification adjustment.

### c. Hedges of net foreign investments

The accounting treatment is similar to cash flow hedges. The variations in value of the effective part of the hedging instrument are carried on the consolidated balance sheet under “Cumulative translation differences”. The gain or loss from the non-effective part is recognised immediately under “Exchange differences” on the consolidated income statement. The accumulated amount of the valuation recorded under “Cumulative translation differences” is released to the consolidated income statement as the foreign investment that gave rise to it is sold.

## 2. Derivatives that do not qualify for hedge accounting

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

In addition, commodity derivatives not considered as hedges for accounting purposes are recorded in operating profit as they essentially constitute a hedge because of the match between the critical terms of the derivative and the hedged item.

### 3. Energy purchase and sale agreements

During the normal course of its business Naturgy enters into energy purchase and sale agreements which in most cases include “take or pay” clauses. by virtue of which the buyer takes on the obligation to pay the value of the energy contracted irrespective of whether the buyer receives it or not. These agreements are executed and maintained in order to meet the needs of receipt or physical delivery of energy projected by Naturgy in accordance with periodic energy purchase and sale estimates, which are monitored systematically and adjusted in all cases through physical delivery. Consequently, these are contracts for “own use” and therefore fall outside the scope of IFRS 9.

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

Naturgy classifies as assets held for sale all assets and related liabilities for which active measures have been initiated for their sale, which are available in their current conditions for sale, and which are very likely to be sold within the following twelve months.

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

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

Non-current assets held for sale are disclosed as follows on the consolidated balance sheet: the assets are carried under a single account “Non-current assets held for sale” and the liabilities are also carried under a single account called “Liabilities linked to non-current assets held for sale”.

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

The profit or loss from discontinued activities is presented in a single line on the consolidated income statement called “Profit for the year from discontinued operations net of taxes”.

#### 2.4.10. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using weighted average cost.

Costs of inventories include the cost of raw materials and those that are directly attributable to the acquisition and/or production, including the costs of transporting inventories to the current location.

Nuclear fuel is measured on the basis of the costs actually incurred in its acquisition and preparation. The consumption of nuclear fuel is charged to the income statement on the basis of the energy capacity consumed.

Emission allowances are stated at the lower of weighted average acquisition price and net realisable value. When the allowances are delivered, they are derecognised against the provision recorded when the CO2 emissions took place (Note 2.4.19.).

Guarantee of origin certificates for renewable energy sources, acquired to cover certified energy deliveries from supply companies, are valued at acquisition price or fair value at the time of certification as a grant received. When they are delivered to customers, they are derecognised and the revenue is recorded.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. For raw materials, the Group assesses whether or not the net realisable value of finished goods is greater than their production cost.



### **2.4.11. Share capital**

Share capital is represented by ordinary shares.

Incremental costs directly attributable to the issue of new shares or options, net of tax, are deducted from equity as a deduction from Reserves.

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

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

### **2.4.12. Share-based payments**

Share-based payments settled in shares are valued on the basis of the fair value of the equity instruments granted on the grant date. In addition, the effects of changes that increase the fair value of share-based payment arrangements will be recognised.

As the services are rendered by the employees during the period necessary for the vesting of the incentive, their valuation is recognized under "Personnel expenses" in the consolidated income statement with a balancing entry under "Reserves" in the consolidated balance sheet.

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

### **2.4.13. Earnings per share**

Basic earnings per share are calculated as a quotient between consolidated profit for the year attributable to equity holders of the company and the average number of ordinary shares in circulation during this period, excluding the average number of shares of the parent Company held by the Group.

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

### **2.4.14. Borrowings and equity instruments**

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

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

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

### **2.4.15. Preference shares and subordinated perpetual debentures**

The issues of preference shares and subordinated perpetual debentures are considered equity instruments if and only if:

- They do not include the contractual obligation for the issuer to repurchase them, under conditions involving certain amounts and at certain dates or determinable amounts and at determinable dates, or the right of the holder to demand their redemption.

- The payment of interest is at the discretion of the issuer.
- The parent company controls the remuneration policy that determines cash outflows.

In the case of issues of preference shares made by a subsidiary of the Group, which comply with the above conditions, the amount received is classified in the consolidated balance sheet under “Non-controlling interests”.

#### **2.4.16. Deferred income**

This heading mainly includes:

- Capital grants received, relating basically to agreements with Regional Governments for the gasification or electrification of municipalities and other investments in gas or electricity infrastructure, for which Naturgy has met all the conditions established and which are stated at the amount granted. The amounts allocated are recognised in income systematically over the basis of the useful life of the subsidised asset concerned, thus offsetting the amortisation expense.
- Revenue received for the construction of facilities for connecting to the gas or electricity distribution network (connections), which is recognised for the cash amount received, as well as such facilities received under assignment, which are recognised at fair value. The allocated amounts are recognised in profit or loss on a systematic basis over the useful life of the facilities.

#### **2.4.17. Value of adjustments for deviations in market price, pursuant to Article 22 of Royal Decree 413/2014**

On 22 October 2021, the CNMV issued a statement establishing the criteria for accounting for the value of adjustments due to variances in market price in accordance with Article 22 of Royal Decree 413/2014 of 6 June regulating electricity production from renewable energy sources, cogeneration and waste (RD 413/2014).

The value of the adjustments for variances in market price includes the differences arising in each financial year between income from energy sales at the price estimated by the regulator at the beginning of each regulatory half-period and the lower of the actual average market price and the weighted average value of the basket of electricity market prices for the year. In addition, actual targeting rates are applied for each year to determine the annual upper and lower limits.

Following the approach established by the CNMV in 2021, Naturgy generally recognises each market deviation, whether positive and negative, arising under RD 413/2014 as assets and liabilities in the consolidated balance sheet.

However, if, over the residual regulatory life of the facilities according to Naturgy's best estimate of the future evolution of energy market prices, it is highly probable that market returns in excess of those established in RD 413/2014 would be obtained and, consequently, abandoning this remuneration regime would not have significantly more adverse economic consequences than remaining in it, it is considered that in this situation only the asset is recognised.

In the event that the facility is in the last half-period of its regulatory life or Naturgy has reported the early abandonment of the remuneration scheme established in RD 413/2014, an asset or liability will be recorded in each financial year for the net accumulated amount of the positive and negative variances generated in said half-period until the closing date of the financial year concerned.

#### **2.4.18. Provisions for employee benefits**

- a. Post-employment pension obligations and similar

#### – Defined contribution plans

Naturgy Energy Group, S.A., together with other group companies, is the promoter of a joint occupational pension plan, which is a defined contribution plan for retirement and a defined benefit plan for the so-called risk contingencies, which are insured.

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

The contributions made have been recorded under Personnel expenses on the consolidated income statement.

Additionally, there are employees who make voluntary contributions of part of their remuneration to an insurance policy, at no cost to Naturgy.

#### – Defined benefit plans

For certain groups there are defined benefit commitments relating to the payment of retirement pension, death and disability supplements, in accordance with the benefits agreed by the entity and which have been externalised in Spain through single premium insurance policies under Royal Decree 1588/1999 of 15 October, which adopted the Regulations on the arrangement of company pension commitments.

The liability recognised for the defined benefit pensions plans is the current value of the liability at the balance sheet date less the fair value of the plan-related assets. The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The current value of the liability is determined discounting the estimated future cash flows at interest rates on bonds denominated in the currency in which the benefits will be paid and having similar maturities to those of the respective liabilities.

Actuarial losses and gains arising from changes in actuarial assumptions or from differences between assumptions and reality are recognised directly in the equity item "Other comprehensive income", for the entire amount, in the period in which they arise.

Past-service costs are recognized immediately in the consolidated income statement under "Personnel expenses".

#### b. Other post-employment obligations

Some of Naturgy's companies provide post-employment benefits to their employers. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited, directly in equity, to Other comprehensive income.

#### c. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Naturgy recognises these benefits when it has demonstrably undertaken to terminate the employment of current employees in accordance with a detailed formal plan without any possibility of withdrawal, or to provide them with termination benefits. In the event that mutual agreement is required, the provision is only recorded in those situations in which Naturgy has decided to give its consent to voluntary redundancies once they have been requested by the employees.

### 2.4.19. Provisions

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

Provisions are measured at the best estimate of the present value of the amount required to settle the obligation at the consolidated balance sheet date.

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

Naturgy must incur costs for dismantling its production facilities, including the cost of the work required to prepare the land on which they are located. In the case of nuclear power plants, all of which are located in Spain, it covers the costs incurred by the plant operator from the end of its useful life until the public business entity Empresa Nacional de Residuos Radiactivos, S.A. (ENRESA) takes over the decommissioning and waste management.

For these purposes, the estimated present value of these costs is recognised as an increase in the value of the asset by credit to "Provisions" at the beginning of the asset's life. This estimate is reviewed regularly to ensure that the provision reflects the present value of all estimated future costs. The value of the asset is adjusted only for variances from the initial estimate. For facilities that have reached the end of their useful lives and the decommissioning stage has commenced, the provision is recognised in the income statement for the period.

Naturgy applies a risk-free rate to discount the provision as the future cash flows estimated to meet the obligation reflect the specific risks of the related liability. The risk-free rate used pertains to yields on government bonds of sufficient depth and creditworthiness at the end of the reporting period, in the same currency and with a similar maturity to the obligation. The variation in the provision arising from discounting is recorded against "Financial expenses" in the consolidated income statement.

In contracts in which the obligations undertaken include unavoidable costs greater than the economic benefits expected to be received from them, the expenses and respective provisions are recognised in the amount of the current value of the existing difference. The unavoidable costs of the contract will reflect the lower net costs of terminating the contract, i.e. the lower of the cost of complying with the terms of the contract and the compensation derived from non-compliance. As from 1 January 2022, Naturgy has considered that the costs directly related to a contract comprise the incremental costs of contract performance and an allocation of other costs that are directly related to contract performance.

In order to cover the obligation concerning the delivery of CO<sub>2</sub> emission allowances for emissions made during the year, the heading Current provisions record the CO<sub>2</sub> allowances to be delivered valued at acquisition cost for allowances purchased recorded under Inventories and, if not all necessary emission allowances are held, at fair value for allowances pending purchase.

#### **2.4.20. Leases**

At the commencement date of a contract, Naturgy assesses whether the contract is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The lease term is the non-cancellable period considering the initial term of each contract unless Naturgy has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, in which case the corresponding extension term or early termination will be taken into account.

Naturgy re-evaluates whether a contract is, or contains, a lease only if the terms and conditions of the contract change.

##### **Lessee**

Naturgy recognises, for each lease in which it is the lessee, a right-of-use asset and a lease financial liability (Notes 2.4.5. and 2.4.21.).

## Lessor

Naturgy will classify each lease contract in which it is the lessor as either an operating lease or a finance lease.

A lease will be classified as a finance lease when Naturgy transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the customer. A lease will be classified as an operating lease if substantially all the risks and rewards incidental to the ownership of an underlying asset are not transferred.

- *Operating leases:* Operating lease payments will be recognised as income in the lessor's income statement on a straight-line basis over the lease term unless another allocation basis reflects, more representatively, the distribution pattern of the benefit gained from the use of the underlying asset.
- *Finance leases:* Naturgy will recognise a receivable in the consolidated balance sheet in an amount equal to the present value of the lease payments plus the unguaranteed residual value, discounted using the implicit interest rate of the lease contract.

The lessor will subsequently recognise the financial income over the term of the lease in such a manner as to obtain a constant interest rate in each period on the net investment outstanding under the lease (the leased asset). It will apply the lease payments against the gross investment to reduce both the principal and the accrued financial income.

When a contract includes both lease and non-lease components, Naturgy applies IFRS 15 to allocate the consideration under the contract to each component.

### 2.4.21. Lease financial liabilities

On the lease commencement date, Naturgy recognises the lease liability for the present value of the lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate.

The incremental interest rate for financing used by Naturgy is differentiated based on the portfolio of similar leases, country and contract term. The average weighted incremental interest rate for 2023 is 5.87% in Spain and 5.08% in Latin America.

The lease payments to be made will include fixed payments less any incentives, variables that depend on an index or a rate, and residual value guarantees expected to be incurred, the exercise price of a purchase option if that option is expected to be exercised, and penalty payments for terminating the lease if the lease term reflects that the lessee will exercise an option to terminate the lease.

Any other variable payments are excluded from the measurement of the lease liability and right-of-use asset.

Subsequently, the lease financial liability will be increased by the interest on the lease liability and reduced by the payments made. The liability will be remeasured if there are changes in the amounts payable and the terms of the lease.

### 2.4.22. Corporate income tax

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

Naturgy includes the effect of uncertainty in tax treatment when determining taxable earnings, tax bases, unused tax losses, unused tax credits and tax rates.

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

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

Deferred income tax assets and tax credits are recorded only when there are no doubts as to their future recoverability through the future taxable profits that can be used to offset temporary differences and implement the tax credits.

When tax rates change, deferred tax assets and liabilities are reestimated. These amounts are charged or credited to the consolidated income statement or to the item "Other comprehensive income for the year" in the consolidated statement of comprehensive income, depending on the account to which the original amount was charged or credited.

Where uncertainty exists regarding income tax treatments, Naturgy assesses whether a tax authority is likely to accept an uncertain tax treatment. If it concludes that it is unlikely that the tax authority will accept an uncertain tax treatment, the effect of the uncertainty on taxable profit (loss), tax bases, unused loss carryforwards or unused tax credits is reflected. The effect of the uncertainty is recognised using the method that, in each case, best reflects the outcome of the uncertainty: the most likely or the expected value. In each case, Naturgy assesses whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, depending on which approach is most likely to achieve the resolution of the uncertainty.

### 2.4.23. Recognition of income and expenses

#### a. General

Revenue derived from contracts with customers is recognised based on compliance with performance obligations with customers.

Revenue reflects the transfer of goods or services to customers at an amount that reflects the consideration to which Naturgy expects to be entitled in exchange for such goods or services.

Five steps are established for the recognition of revenue:

1. Identify the customer's contract(s).
2. Identify the performance obligations.
3. Determine the price of the transaction.
4. Allocate the transaction price to the performance obligations.
5. Recognise the revenue according to the fulfilment of each obligation.

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

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

Sales are stated net of tax and discounts and transactions between Naturgy companies are eliminated.

#### b. Revenue from Gas transport and distribution network access

National Commission for Markets and Competition (CNMC) Circular 4/2020, of 31 March 2020, established the methodology for determining the remuneration for natural gas distribution applicable from 1 January 2021.

The remuneration for the regulated gas distribution activity is set annually for each remuneration period and each distribution company based on the customers connected to them and the volume of gas supplied.

CNMC Circular 9/2019, of 12 December 2019 lays down the methodology for determining the remuneration of natural gas transportation facilities and liquefied natural gas plants as from 1 January 2021.

The annual remuneration for the regulated gas transportation activity is set annually for each remuneration period, taking into account the investment and operating costs of these facilities.

The regulatory framework of the natural gas sector in Spain (Appendix IV) regulates a payment procedure for the redistribution of the net revenues obtained among companies in the sector, applying the tolls obtained, so that each company receives the remuneration recognised for its regulated activities.

Royal Decree 1184/2020 of 29 December 2020, which lays down the methodologies for calculating gas system charges, regulated remuneration for basic underground storage facilities and the fees charged for their use, provides that, as from 1 October 2021, settlements will be made by gas year and by activity, differentiating between revenues from the application of tolls, fees and charges.

Subsequently, Order TED/1022/2021 of 27 September 2021 was published to further develop this Royal Decree, regulating the procedures for settling regulated activity remuneration, charges and quotas with specific destinations in the gas sector.

The entry into force on 1 October 2021 of the new Circular 6/2020 on tolls, Royal Decree 1184/2020, and Order TED/1022/2021 on settlements, changed the procedure for allocating and settling balances in the gas system. The new procedure lays down separate processes for the settlement of each of the toll items and charges defined in the above regulations. The final settlement of each procedure, whether positive or negative, will give rise to a receivable or payable for each party and these differences between the initially expected revenues and the actual revenues resulting from the application of the tolls relating to previous years will be settled as a single payment in the first available settlement of the following gas year. They will also be considered in the calculation of the costs to be included in each year's tolls.

The CNMC Resolution of 19 May 2022, published in the Official State Gazette on 25 May 2022, established the remuneration for regulated gas transportation and distribution activities for the 2023 gas year (1 October 2022 to 30 September 2023).

CNMC Resolution of 30 May 2023 establishing the gas remuneration for 2024 (from 1 October 2023 to 30 September 2024) for companies carrying out regulated activities related to natural gas transportation and distribution.

Both remunerations are financed by revenues from tolls and fees for network use. These tolls and fees are set annually, in accordance with CNMC Circular 6/2020, which lays down the method for calculating natural gas transportation, local network and regasification tolls, published in July 2020.

At the date of authorisation of these consolidated annual accounts, no final settlements from prior remuneration periods are outstanding.

The 2022 gas system remuneration period ended in 2023 with a surplus in the local network activity according to the final settlement for that year approved on 27 July 2023 by the CNMC, which has been applied as additional income in the settlement of the 2023 remuneration period.

The provision of distribution facilities to locate gas at supply points is considered to be a single performance obligation and therefore the remuneration for the regulated gas transmission and distribution activity is recognised as income on a straight-line basis since the service provided is similar over time.

### c. Revenue from gas sales

Revenue includes the amount of both last-resort gas sales and free market sales, since the last-resort supplier and the free-market supplier are deemed to be a principal agent and not a commission agent for the supply made.

Royal Decree-Law 17/2021, of 14 September, on urgent measures to mitigate the impact of the escalation of natural gas prices on retail gas and electricity markets, limits the increase in the gas cost to be charged in the natural gas last resort tariff applicable from 1 October 2021 to 35% of the current value (Appendix IV). In the review at 1 January 2022, the maximum increase in the raw material cost compared to the figure applicable under the review at 1 October 2021 is set at 15%.

The difference between the raw material cost increase and the increase allocated in the tariff will be recovered in the reviews taking place after 1 January 2022, with a limit of 15% in the raw material cost increase.

The procedure for the recovery of the amounts owed cannot be terminated until the last resort supply companies have recovered the full amount owed, including any applicable interest. These payments will be covered out of billings under the last resort tariff and, failing that, they will be classified as a mismatch between revenues and costs in the gas system, in accordance with the provisions of Article 61 of Law 18/2014, of 15 October, approving urgent measures for growth, competitiveness and efficiency (as introduced by Royal Decree-Law 27/2021). However, this exceptional limit has been extended by successive Royal Decree-Laws until 31 December 2023, also modifying, under Royal Decree-Law 18/2022 of 18 October, the mechanism for recovering the amounts owed to last resort supply companies in order for them to be covered by the National Budget.

Royal Decree-Law 8/2023 of 27 December which adopted measures to address the economic and social consequences of the conflicts in Ukraine and the Middle East, and to alleviate the effects of the drought, extended the limitation of 15% of the increase in raw material costs included in the tariff of last resort for natural gas until 30 June 2024.

Under the previous regulations, Naturgy recognised as revenue the raw material cost variances not included in the last resort tariff applied from 1 October 2021 (Note 10).

Gas exchanges with other supply companies are considered to be collaboration contracts between companies in the sector and are not included in Revenue as they are not considered as contracts with customers.

The amount of gas sales is recorded as income at the time of delivery to customers, based on the quantities supplied and including the estimate of energy supplied not yet calculated in customers' meters (Note 2.4.25).

### d. Revenue from electricity transmission and distribution network access

The remuneration for electricity distribution and transmission has been set annually by the Ministry for the Ecological Transition (until 2019) and by the CNMC (since 2020), applying the approved methodology which recognises remuneration for investment and remuneration for asset operation and maintenance.

The provision of distribution facilities to locate power at supply points is considered to be a single performance obligation and therefore the remuneration for the regulated electricity transmission and distribution activity is recognised as income on a straight-line basis since the service provided is similar over time.

The regulatory framework of the electricity sector in Spain (Appendix IV) regulates a payment procedure for the redistribution amongst companies in the sector of the net turnover obtained, so that each company receives the remuneration recognised for its regulated activities.

In 2022, the transmission and distribution remuneration for 2017 to 2019 and some orders relating to remuneration for previous years were approved:

- Order TED/490/2022 of 31 May implemented the Supreme Court judgement whereby Order IET/980/2016 of 10 June, which set the remuneration of electricity distribution companies for 2016, was declared to be damaging to the public interest.
- Order TED/749/2022 of 27 July approved the remuneration of distribution companies for 2017, 2018 and 2019, as well as the incentive for reducing distribution losses for 2016.



- Order TED/1343/2022 of 23 December approved the remuneration of companies owning electricity transmission facilities for 2017, 2018 and 2019.

In 2023, the CNMC only published the Resolution of 27 July 2023 which lays down the remuneration of companies owning electricity transmission facilities for 2020.

At the date of publication of these annual accounts, the remuneration of distribution companies for years 2020 onwards, for which the CNMC is responsible, has not been published.

On 1 January 2024, the National Markets and Competition Commission published resolutions dated 21 December 2023, provisionally establishing the remuneration of electricity distribution companies and transmission companies for 2024.

Following the enactment of Electricity Sector Law 24/2013 of 26 December 2013, temporary mismatches between electricity system revenues and costs are funded by the companies subject to the settlement system, including Naturgy, generating the right to recover the relevant amount over the following five years, including interest at a market rate. Consequently, the financing of the electricity system revenue shortfall is recognised as a financial asset since, on the basis of this regulation, Naturgy is entitled to a reimbursement and there are no future contingent factors.

In 2022 there was a surplus of revenue in the sector. Under Royal Decree-Law 20/2022, Euros 4,500 million was transferred to cover temporary mismatches between system revenues and costs in 2023. The remainder of the surplus to be applied for 2022 in respect of charges, in accordance with Royal Decree-Law 8/2023 of 27 December, will be carried forward to 2024 for the same purpose.

#### e. Revenue from the sale of electricity

Revenue includes the amount of electricity sales in both the PVPC market and the free market, since the last-resort supplier and the free-market supplier are deemed to be a principal agent and not a commission agent for the supply made. Consequently, power purchases and sales are recognised for the total amount. Nonetheless, power purchases and sales from the pool made by the Group's generation and supply companies in the same time band are eliminated during the consolidation process.

The amount of electricity sales is recognised as revenue at the time of delivery to customers, based on the quantities supplied and including an estimate of energy supplied but not yet read on customers' meters (Note 2.4.25.).

In accordance with Royal Decree 413/2014 (RD 413/2014), renewable energy generation facilities in Spain qualify for certain incentives (specific remuneration scheme). RD 413/2014 provides that certain remuneration parameters will be updated by ministerial order in each regulatory half-period.

RD 413/2014 regulates the procedure to be followed in the event that actual market prices in the semi-periods of the regulatory useful life of the asset prove to be lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory semi-period and which were used to determine the incentives to be received for the investments under the scope of the regulation.

The remuneration parameters for the regulatory half-period (1 January 2020 to 31 December 2022) were regulated under Order TED/171/2020, although Article 5 of RDL 6/2022, on an extraordinary basis, subdivided the regulatory half-period and thus created a new half-period between 1 January 2022 and 31 December 2022. As a result, RDL 6/2022 mandated the approval of a ministerial order updating the remuneration parameters established in Order TED/171/2020 of 24 February for 2022, no later than 31 May 2022, which materialised in Order TED/1232/2022 of 2 December.

Although RDL 6/2022 established that the adjustment mechanism for market deviations would not apply to energy generated from 2023 onwards in order to encourage forward contracting, RDL 10/2022 subsequently reintroduced the adjustment for market price deviations. As a result, for 2023 and subsequent years this mechanism includes references to forward market products in the annual average price of the daily and intraday market.

On 28 June 2023, Royal Decree Law 5/2023 was approved, exceptionally adjusting the electricity market price benchmarks to be taken into account when updating the remuneration parameters of RECORE facilities for the 2023-2025 half-period.

Under this Royal Decree Law, on 30 June Order TED/741/2023 was approved which updated the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the regulatory semi-period commencing on 1 January 2023.

The accounting treatment for market price deviations applied by Naturgy conforms to the “Criterio para contabilizar el Valor de los ajustes por desviaciones en el precio del mercado (Vadjm)” (policy for recognising the value of adjustments for deviations in market price) in accordance with Article 22 of Royal Decree 413/2014 (published by the CNMV on 22 October 2021 (Note 2.4.17.), whereby:

- As a general rule, each of the positive and negative market variances arising under RD 413/2014 is recognised in the consolidated balance sheet with a balancing entry in Revenue. The liabilities will be limited to the amount of the variances from the price that would have allowed the minimum yield guaranteed by the Royal Decree to be obtained and up to the limit of the Net Asset Value (NAV) of the facility.
- However, if, according to Naturgy's best estimates of the future evolution of energy market prices, it would be highly probable that market returns in excess of those established in RD 413/2014 would be obtained over the residual regulatory life of the facilities and, consequently, abandoning this remuneration regime would not have significantly more adverse economic consequences than remaining in it, the general approach is not followed and only the asset is recognised in the event of positive market deviations. The following facilities are included in this scenario:
  - a. Facilities which, at the reporting date of these consolidated annual accounts, considering the estimated market prices for 2024 and subsequent years, are unaffected by being included in the above scheme either because the NAV (as defined in RD 413/2014) has already been fully recovered or because it is estimated that, based on the observable prices, they will not receive the investment remuneration supplement (Rinv) after FY 2026. In both cases these facilities would have achieved the reasonable profitability level provided by RD 413/2014 before the end of their regulatory lifetime.
  - b. These are facilities which, at the reporting date of these consolidated annual accounts, will need to be supplemented by Rinv until the end of their regulatory useful lives but for which the abandonment of the remuneration system would not have significantly more adverse economic consequences than remaining in it. The threshold established by the Group to determine whether the economic consequences are not materially adverse has been calculated as the difference between the present value of the cash flows obtained by these facilities remaining in the specific remuneration scheme or leaving it, with this difference being equal to or less than 5%.

The Group regularly reviews the foreseeable evolution of market prices and other qualitative factors and determines whether leaving the remuneration scheme would not have significantly more adverse economic consequences than remaining in the regime and the installation remaining under the above-mentioned threshold. Otherwise, the general criterion would apply.

At the end of the asset's regulatory life, positive adjustments net of negative adjustments arising in the last regulatory half-year are recognised, based on the relevant balance, in asset or liability accounts with a balancing entry in net sales. At the reporting date of these consolidated annual accounts, there are facilities that are in the last half-period of their regulatory useful lives although no regulatory assets or liabilities have been recorded as the Net Present Value (NPV) of these facilities had previously been recovered.

Although for some facilities it is considered that leaving the remuneration scheme would not have significantly more adverse economic consequences than remaining in it, the scheme has not been abandoned and there is no intention to do so in the short term, basically because it does not generate significant additional obligations other than those inherent to efficiently managing the facilities and energy generation.

Naturgy has estimated market prices over the remaining regulatory useful lives of the facilities based on internal estimates used in Naturgy's normal budgeting operations, which are in line with the market consensus.

#### f. Long-term electricity sale contracts

Naturgy has contracts for the sale of electricity produced by renewable facilities that lay down the long-term conditions.

When the renewable facility is under control of the seller and there is a physical delivery of energy to the buyer in accordance with the entity's expected purchase, sale or usage requirements, this is regarded as a contract for "own use" and therefore revenue from the sale of electricity is recorded at the time of delivery to the buyer.

When the renewable facility is under control of the buyer to whom substantially all the risks and rewards of ownership of the facility are transferred, it qualifies as a finance lease and an account receivable is initially recognised calculated as the fixed contract price receipts discounted at the implicit contract rate.

When the lease contract does not qualify as a finance lease because not all risks and rewards have been transferred, it qualifies as an operating lease. In this case, factors are considered such as limiting the buyer to a lease term that does not represent a substantial percentage of the economic life of the asset, not receiving all the income from the facility, or the lack of a right to acquire the plant.

Power purchase agreements for differences in which the facilities sell their output on the market and, through these agreements, there is a settlement between the market price and the contract price, are considered to be cash flow hedging derivatives (Note 2.4.8)

#### g. Other income

Naturgy has power generation capacity assignment contracts with the Federal Electricity Commission for its combined-cycle plants in Mexico (CFE), for a 25-year term as from the commencement of commercial operations. These contracts stipulate a pre-established collection schedule for the assignment of power supply capacity. As Naturgy has the capacity to operate and manage the plants and retains the rewards and risks of operations, taking relevant decisions that will affect future cash flows, these contracts represent provisions of services and are thus recognised on a percentage-of-completion basis.

Revenue from new subscriptions, which consist of the operation of coupling the gas reception facility to the network, as well as revenue from facility verifications, are recognised at the time these actions are carried out since it is at that time that the customer obtains the benefits of the service provided and there is no associated future obligation.

Revenue from the rental of meters and facilities is recorded as income over the period of the rental service that constitutes the performance obligation.

Revenues from contracts for the provision of service are recognised on a percentage-of-completion basis, i.e. when revenues may be reliably estimated, they are recorded over time based on the progress of contract execution at the year end, calculated in proportion to costs incurred to date in relation to estimated costs necessary to execute the contract.

If revenues from contracts cannot be estimated reliably, the revenues are only recognised for an amount equal to the costs incurred in the period to meet the commitment, provided that those costs are recoverable. The contract margin is not recorded until there is certainty of its materialisation, based on cost and income planning.

### 2.4.24. Cash flow statement

The consolidated cash flow statement has been prepared using the indirect method and contains the following terms, with their respective meanings:

- a. Operating activities: activities that constitute ordinary Group revenues, as well as other activities that cannot be qualified as investing or financing.

- b. Investing activities: acquisition, sale or disposal and other means of assets in the long-term and other investments not included in cash and cash equivalents.
- c. Financing activities: activities that generate changes in the size and composition of equity and liabilities that do not form part of operating activities.

#### 2.4.25. Significant accounting estimates and judgments

The preparation of the consolidated annual accounts requires the use of estimates and assumptions. The measurement standards that require a large number of estimates are set out below:

- a. Intangible assets and property, plant and equipment (Notes 2.4.3. and 2.4.4.)

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

- b. Impairment of non-financial assets (Note 2.4.6.)

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

Note 4 details the main assumptions used to determine the recoverable value of non-financial assets.

- c. Derivatives, other financial instruments and gas purchase and sale contracts (Note 2.4.8.)

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Naturgy uses a variety of methods and makes assumptions that are based on market conditions existing at each consolidated balance sheet date.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the consolidated balance sheet date.
- The fair value of commodity derivatives is calculated by using forward quoted price curves at the consolidated balance sheet date. For the purpose of measuring the effective portion of the commodity hedges, the Group has taken into account the current situation in the gas markets, considering the discounts applied in physical gas sales on the benchmark indices to which the hedges are associated and considering that this market volatility will extend over 2024.

The Company enters into gas purchase and sale agreements in the ordinary course of its business. The analysis to determine their classification as "own use" contracts requires judgements by management in relation to gas supply and demand forecasts, which are monitored on a systematic basis.

For disclosure purposes, it is assumed that the carrying amount of trade and other receivables less expected impairment losses approximates their fair value. The fair value of other financial liabilities for reporting purposes is calculated by discounting the future contractual cash flows at the current market interest rate to which Naturgy has access for similar financial instruments.

- d. Provisions for employee benefits (Note 2.4.18.)

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

e. Provisions (Note 2.4.19.)

Naturgy makes an estimate of the amounts to be settled in the future, including amounts relating to contractual obligations, business contracts derived from them, pending litigation, future dismantling and decommissioning of certain facilities, land restoration, and other liabilities. These estimates are subject to the interpretation of current events and circumstances, projections of future events and estimates of their financial effects, as well as the outcome of negotiations associated with gas supply contracts.

f. Corporate income tax (Note 2.4.22.)

The calculation of the income tax expense requires interpretations of tax legislation in the jurisdictions in which Naturgy operates. Determining whether the tax authorities will accept a specific uncertain tax treatment and the expected outcome of pending litigation requires significant estimates and judgments. Naturgy evaluates the recoverability of deferred tax assets based on estimates of future taxable income and the capacity to generate sufficient profits during the periods in which said deferred taxes are deductible. Deferred tax liabilities are recognised based on estimates of the net assets that will not be tax deductible in the future.

g. Revenue recognition (Note 2.4.23.)

Revenues from energy supply are recognised when the product has been delivered to the customer based on regular meter readings. Also included is an estimate of the energy supplied yet to be invoiced at the end of the reporting period as it has not been measured in the ordinary course of meter reading cycles.

The accrued energy yet to be invoiced is estimated separately for each of the Group's business segments based on their specific features. The main variables involved in determining the revenue estimate are price and volumes consumed and purchased.

- Prices: determined as a function of the prices for different customer types based on the estimated consumption curves.
- Consumption: based on estimated daily consumption derived from seasonally-adjusted historical profiles for the various customer types and other factors than can be measured and affect consumption.
- Volume of energy purchased by the Group's supply companies to meet demand.

Naturgy has sufficient experience and sufficiently well developed information systems to guarantee the accuracy of the estimates recorded for this item under Revenue in the consolidated profit and loss account, as well as compliance with the relevant accounting legislation. Historically, no material adjustments have been made relating to the amounts recorded as unbilled income and none are expected in the future.

Certain aggregates for the electricity and gas system, including those relating to other companies which allow for the estimate of the overall settlement of the electricity system that must materialise in the respective final payments, could affect the calculation of the shortfall in the settlements of electricity and gas regulated activities in Spain.

h. Determining lease terms (Note 2.4.20.)

In determining the lease term, Naturgy considers all relevant facts and circumstances that create a significant economic incentive for the lessee to exercise the renewal option or not to exercise the termination option. Renewal or termination options are only included in the determination of the lease term if it is reasonably certain that the lease will be extended or not terminated. If any significant event or significant change in circumstances arises that could affect the determination of the term, Naturgy reviews the valuations made when determining the lease term.

i. COVID-19

In May 2023, the World Health Organisation announced that Covid-19 no longer constitutes a Public Health Emergency of International Concern, thereby initiating the transition to long-term management of the disease integrated into the control of acute respiratory infections.

Globally, and particularly in Spain, throughout 2023 the decreasing trend in Covid-related deaths and hospitalisations, the high immunity levels among the population, the low virulence of the successive variants of the disease and the improvement in the management of clinical cases have continued to be observed, resulting in a change in focus of the Covid-19 surveillance and control strategy.

However, Covid-19 has not ceased to be a threat to world health and the global economy, and the Group continues to monitor this risk in order to minimise the adverse effects on business that could be caused by any new outbreaks of the disease.

In making the estimates and assumptions necessary for the preparation of these consolidated annual accounts, the Group's forecasts for this risk have been considered.

j. Estimated revenue from renewable energy generation facilities under the specific remuneration scheme

In accordance with Royal Decree 413/2014 (RD 413/2014), renewable energy generation facilities in Spain qualify for certain incentives (specific remuneration scheme). RD 413/2014 establishes that certain remuneration parameters will be updated by ministerial order in each regulatory half-period.

RD 413/2014 regulates the procedure to be followed in the event that actual market prices in the semi-periods of the regulatory useful life of the asset prove to be lower (positive adjustments) or higher (negative adjustments) than the prices estimated by the regulator at the beginning of the regulatory semi-period and which were used to determine the incentives to be received for the investments under the scope of the regulation.

To determine the accounting adjustment for deviations in the market price of Renewable Generation facilities subject to the specific remuneration regime, Naturgy, in accordance with its best estimate of future energy market prices, estimates the Net Present Value (NPV), as well as the return on investment to be obtained in each of the standard facilities (TI) in which the Group operates in Spain in the recalculation of remuneration parameters of the next regulatory half-period.

These estimates, together with an analysis of other qualitative factors, determine whether leaving the remuneration scheme would not have significantly more adverse economic consequences than remaining in the scheme and therefore the general accounting treatment is not applied and the asset is only recognised in the event of positive market deviations. The amount relating to negative deviations not recognised for this reason at 31 December 2023 and 31 December 2022 is Euros 77 million and Euros 145 million, respectively.

The estimate of future market prices is based on the price path considered among the main assumptions described in Note 4, which do not consider the targeting rates.

k. Climate change and the Paris Agreement

Naturgy's 2021-2025 Strategic Plan includes a number of goals set by the Group in order to comply with the objectives of the Paris Agreement to achieve climate neutrality by 2050 at the latest through the reduction of the total scope 1, 2 and 3 emissions, establishing intermediate targets aligned with the 1.5°C - 2°C reduction pathways and with the Sustainable Development Goals (SDGs) of the United Nations. Upon completion of the Strategic Plan, the Group's greenhouse gas emissions are expected to be reduced by 27% (Scope 1, 2 and 3 emissions) compared with 2017.

In 2023, the reduction achieved with respect to 2017 was 30% for the total of Scope 1, 2 and 3 emissions.

The key factors envisaged for achieving these goals include the following:

- No coal-fired electricity has been generated in 2023 or 2022 due to the closure in the first half of 2020 of all Naturgy's coal-fired power plants, which implies a significant reduction in emissions of scope 1 greenhouse gas (GHG) emissions and other atmospheric pollutants.
- The Strategic Plan provides for investments in renewable energies, in particular in solar photovoltaic, onshore wind and storage technology, as well as the development of innovation projects for distributed generation, renewable biogas and hydrogen, and sustainable mobility, which will reduce the company's carbon footprint in its three scopes.
- Additionally, investments are also envisaged to adapt existing grid infrastructures that will play an essential role in the energy transition.

These investments will contribute to the future objective of transforming the energy mix envisaged in the NECP 2021-2030 and ratified in the draft NECP 2023-2030 for Spain, which is also aligned with the European objective of achieving climate neutrality in the EU by 2050. For the other countries in which we operate, we have taken into account the published national plans or, in their absence, the goal of achieving net zero emissions by 2050.

Information on the Group's decarbonisation strategy is disclosed in the 2023 Statement of Non-Financial Information, which is prepared in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which Naturgy has adhered and adapted since it was published in 2017.

At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has assumed the monitoring responsibilities of the TCFD as of 2023.

These consolidated annual accounts have been prepared taking into account the decarbonisation commitments undertaken by Naturgy, in addition to the risks and uncertainties related to climate change and the decarbonisation of the economy. The IASB publication "Effects of climate-related issues on financial statements" (updated in July 2023) concerning the impact of climate change on the application of IFRS in financial reporting has been taken into account in its preparation.

The main estimates and accounting judgements made by Naturgy's management and directors when preparing the 2023 consolidated annual accounts related to the expected effects of climate change and the energy transition are described below.

#### 1. Recoverability of non-financial assets

As described in Note 2.4.6., the cash-flow projections used in the non-financial asset impairment tests are based on the best available forward-looking information and reflect the investment plans in place in each CGU for maintaining the CGUs' operating capacity. These projections are in line with Naturgy's strategy that takes into consideration the objectives of the Paris Agreement and have therefore been prepared based on the range of economic conditions that might exist in the foreseeable future in relation to climate change and the energy transition. The projections have taken into account the expected impact on wholesale and retail electricity market prices resulting from the entry into operation of new Renewable Generation facilities and developments in gas, oil and emission allowance prices, as well as expected demand.

Regarding emission rights, most of Naturgy's thermal electricity generation facilities in Spain are regulated by the European Emission Trading Directive. Naturgy carries out comprehensive portfolio management for the acquisition of emission allowances equivalent to the verified emissions of its combined cycle and cogeneration facilities, regulated by the European Emissions Trading Directive, Phase IV 2021-2030. This phase takes into account the CO<sub>2</sub> emission reduction target of 55% by 2030 compared with 1990, in line with the 2050 goal of zero net emissions set out in the European Green Deal. For this supply, Naturgy actively participates in both the primary market, through auctions, and in the secondary market. These emissions relate mainly to the combined cycle gas plants in Spain and represent 84,1% of Naturgy's direct emissions in Spain (scope 1) in 2023.

In Mexico, the impairment tests on combined cycle plants consider the delivery of emission allowances equivalent to the tonnes of CO<sub>2</sub> emitted. Until 2026, the allocation of free allowances, as provided in the draft ETS Baseline, is expected to cover projected emissions in accordance with production projections. From 2027 onwards, although the criteria for the free allocation of allowances and the emissions reduction pathway that will be required have not yet been defined, it is expected that the emissions generated will be covered by the free allocation and when this is not sufficient or the free allocation is discontinued, CO<sub>2</sub> costs will be transferred to selling prices as an additional operating cost, similar to the case in the European market.

The CO<sub>2</sub> prices considered in the impairment test are detailed in Note 4. Other relevant information on emission allowance costs in 2023 and 2022 is disclosed in Note 16, Provisions.

The estimated cash flows for each CGU, as required by accounting regulations, take into account the current condition of the assets and therefore do not include future investments due to technological changes or any strategic investments foreseen in the energy transition.

Naturgy will continue to update its operational plans and pricing outlook to take into account changes in the economic environment and the pace of the energy transition.

## 2. Group's main assets subject to climate change and energy transition risk:

Naturgy has conducted a review of the CGU structure defined in Note 4 and concludes that it is appropriate considering the challenges and opportunities arising from climate change issues.

### a. Coal-fired power plants

Following the closure of all Naturgy's coal-fired power plants in the first half of 2020, the group has not generated any coal-fired electricity. These facilities are fully depreciated/provisioned at 31 December 2023. During the year progress continued to be made on decommissioning, which is expected to be completed for all plants by the end of the first quarter of 2025.

### b. Combined cycle gas power plants

The Group's gas-fired combined cycle plants (in Spain and Mexico) currently represent the most eco-efficient generation technology available to provide the necessary back-up for renewable energies and enable their widespread implementation while also ensuring security of supply, as both factors are key to the energy transition.

In Spain, it is important to bear in mind that the operation of these plants is included in the Integrated National Energy and Climate Plan (NECP), approved for 2021-2030 and ratified in the draft NECP 2023-2030 sent to Brussels in June 2023, which is aligned with the European objective of achieving climate neutrality by 2050, and that they are an essential factor in ensuring the growth of renewable energies in the national electricity system since they form the back-up for ensuring the electricity supply in the event of any lack of wind, sunlight or water.

At 31 December 2023, the carrying value of these fixed assets is Euros 1,884 million, of which Euros 998 million relates to combined cycle plants in Spain. The carrying value of the total combined cycle generation facilities in Spain is estimated for 2030, 2040 and 2050 at Euros 692 million, Euros 353 million and zero, respectively. The carrying value, excluding goodwill (Note 5), of the combined cycle plants in Mexico is estimated for 2030, 2040 and 2050 at Euros 507 million, Euros 222 million and zero, respectively.

A fluctuation in energy prices which is lower than envisaged in the assumptions used by Naturgy and indicated in Note 4 could have an impact on the recoverability of the carrying value of these assets recognised in the consolidated balance sheet at 31 December 2023. See the sensitivity analysis in Note 4 below.



c. Hydroelectric power plants

At 31 December 2023, the carrying value of these fixed assets in Spain was Euros 946 million. The recoverable value of these assets could be affected by a larger than expected hypothetical future reduction in hydroelectricity due to climate change, particularly in run-of-river plants. The assumptions used in the hydroelectric power generation CGU impairment test includes developments in hydraulicity, and their impact on hydrographic flows and therefore on production.

d. Renewable energy assets

At 31 December 2023, the carrying value of these fixed assets is Euros 6,563 million, of which Euros 4,280 million relates to assets in Spain. The main perceived risk is the potential negative future evolution of solar and wind resources, which are the key variables in the performance of this line of business. There may also be reductions in the remuneration arrangements for renewable energies and lower prices in marginal wholesale markets due to an increase in renewable production with reduced variable costs. In the impairment tests for 2023, no changes in the remuneration arrangements yet to be approved have been considered and the forecasts for solar and wind resources have been taken into account.

e. Electricity and gas transportation and distribution assets

At 31 December 2023, the carrying value of these fixed assets was Euros 13,795 million. The total includes, Euros 6,074 million for gas transport and distribution assets and Euros 7,721 million for electricity transmission and distribution. By country, in Spain Euros 2,674 million relates to the gas business and Euros 6,378 million relates to the electricity business; in Argentina, Euros 119 million relates mainly to the gas business and the remaining Latin American countries, Euros 704 million in Brazil, Euros 1,801 million in Chile and Euros 789 million in Mexico relate to the gas business and Euros 1,330 million in Panama relates to the electricity business.

These regulated assets are considered to be resilient to the energy transition. Increases in temperature and a higher frequency of extreme weather events could lead to increased technical losses, deterioration in service quality levels, higher operating and maintenance costs and higher annual investments, albeit in volumes that can be easily assumed via the multi-year tariff reviews of these regulated businesses. The investment and response plans already in place, accumulated experience and network design (meshing and undergrounding of lines) would act as mitigating measures. A potential massive development of distributed generation would be partially offset by the increasing electrification of the economy (e.g. electric cars) and investments in smart grids.

Naturgy's planning for the coming years envisages the coexistence in Spain of natural gas demand with demand for biogas, biomethane and renewable hydrogen, including their distribution through the group's current infrastructures. It is estimated that the adaptation of existing networks for biomethane transportation will not require significant investments. In the case of hydrogen, the level of investment will depend on the percentage of blending which, together with the relevant regulations, will determine the viability of using the current infrastructure. It is estimated that for low percentages it will not be necessary to make significant investments to adapt the current network.

For gas transport and distribution assets in Argentina, Brazil, Chile and Mexico, the same strategy applied for Spain is envisaged although with a slower implementation and always in line with energy policies in each country.

f. Supply

The Supply business CGU has net operating assets totalling Euros 349 million at 31 December 2023. The impact of climate change and the energy transition on the supply business is considered to be minor, as the lower demand for natural gas could be offset by the higher growth that is expected to result from the electrification of the economy.

In terms of transition risks, the Group's current positioning, resulting from its investment focus on renewables and grids, provides it with favourable situation for facing these risks. The Group considers that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investment in smart integrating grids, transport electrification, biogas, biomethane, green hydrogen, among others) outweigh the risks.

### 3. Useful lives of non-financial assets

The energy transition and the pace at which it progresses may impact the remaining useful life of assets. However, Naturgy reviews the useful life of its assets at least at the end of each annual period.

Determining the useful lives of non-financial assets requires estimates of the level of utilisation of the assets, expected technological developments and the existence of legal limits or any other restrictions on their use that might be foreseen. Based on the assumptions used in relation to Naturgy's assets, in 2023 it has not been necessary to re-estimate the useful life of the assets as a result of potential direct or indirect impacts arising from climate change, even in the specific case of gas transport and distribution infrastructures, considering the expected use of renewable gases in the short and medium term.

The calculation of useful lives (Note 2.4.4) of assets located in Spain takes into account the objectives of the National Integrated Energy and Climate Plan (PNIEC) and the energy transition, the protocol signed with Enresa in the specific case of nuclear plants and the terms of administrative concessions in the case of hydroelectric power plants. For Gas and Electricity Distribution Network assets, the regulations of each country have been taken into account, as well as the terms of the concessions.

As indicated in the previous section, in the period to 2030 a very significant percentage of the carrying value of combined cycle gas plants will be depreciated by 31 December 2023, and they are expected to be fully depreciated by 2050.

### 4. Decommissioning provisions

The energy transition and the pace at which it progresses may also bring forward the decommissioning of combined cycle plants. Most of the combined cycle plants owned by Naturgy in Spain are expected to start decommissioning in the period 2042-2046 upon reaching the end of their useful lives.

Hydroelectric plants are covered by the temporary administrative concession regime. On completion of the terms of administrative concessions, the facilities must revert to the Government in good condition and this is ensured through maintenance programmes. Therefore, no decommissioning provisions need to be recorded.

In addition to the timeframe of decommissioning and restoration activities, Naturgy has also taken into account the discount rate in line with the average remaining useful life of these assets.

Estimates of decommissioning costs are based on the regulatory and external environment that is knowable at the current date.

### 5. Recoverability of deferred tax assets

Sufficient taxable profits are expected to be generated within the planning period to ensure the recovery of the deferred tax assets recognised for accounting purposes at 31 December 2023. The estimate of the recoverability of these assets has been made using the same judgements and assumptions as those used to calculate the recoverable amount of non-financial assets.

### 6. Regulation

The Paris Agreement has had a major impact on the development of new climate policies and the adoption of new regulations. The European Union (EU), having assumed the commitment to climate neutrality by 2050 and "The European Green Deal" which embodies the EU's new growth strategy, has approved various regulations in this area. Spain has also issued regulations relating to these matters, notably the Climate Change and Energy Efficiency Law 7/2021, regulating climate change and the energy transition, and therefore climate change and energy transition rules are constantly evolving and could have negative effects or offer opportunities for the Group's business.

### 7. Dividend payment

Climate change risks are not expected to affect the Company's capacity to pay dividends to shareholders due to strong cash generation and existing reserves.

In the case of regulated lines of business, a scenario in which the conditions for maintaining the current rate of investment continue to exist is compatible with the levels of dividend payments that may be observed to date. However, in the case of deregulated lines of business, their future capacity to pay dividends is difficult to foresee due to unknown risks and uncertainties that could cause actual results, performance or events to differ substantially from those envisaged in the Group's projections.

## 8. Physical risks

The design and construction of Naturgy's assets includes the mitigation of physical risks, whether or not related to climate change, and the associated costs are included in the initial recognition of these assets in the consolidated balance sheet. Naturgy recognises the need for a more comprehensive analysis and assessment of the climate-change resilience of all its assets, while continuing to monitor this issue to ensure that its operations are safe and that the Group's facilities can continue to operate in extreme weather conditions. In recent years, there have been no weather events causing significant repercussions on operations or major financial damage. These physical risks are assessed for all the Group's assets and are considered in impairment tests through the generation/utilisation rates of each asset.

In the long term, Naturgy's business portfolio is expected to evolve with the energy transition, keeping in mind at all times the balance of the energy trilemma: providing clean and sustainable energy, ensuring security of supply and affordable energy prices. Decision-making on the future business portfolio will be guided by the pace of the Company's progress as it moves towards meeting the objectives of the Paris Agreement. Setting the energy system on the path to net zero emissions will require unprecedented coordination between energy suppliers, consumers and, above all, governments.

### I. Military conflict between Russia and Ukraine

Almost two years after Russia invaded Ukraine in February 2022 the war has left a heavy death toll, as well as the displacement of a considerable part of the Ukrainian population across Europe and substantial damage to the country's infrastructure.

The direct effects of the war, as well as those stemming from the measures and sanctions imposed on Russia, have had serious consequences on a global economy that was beginning to recover from the effects of the pandemic, leading to increases in commodity prices, inflationary pressures, supply chain constraints and volatility in financial and commodity markets.

In the energy industry in particular, the war led to a worsening of the price scenario, the deterioration of which began to manifest itself at the end of 2021, while the Western powers imposed measures to suspend purchases of fossil fuels from Russia. Despite the turbulence in 2022, some moderation has been observed in 2023 due to high storage levels, increased supply and contained growth in demand.

Considering the scenario in question and in compliance with the recent recommendations by the ESMA, Naturgy is monitoring the status and evolution of the situation generated by the crisis in order to manage potential risks. The analyses carried out aim to assess the indirect impacts of the conflict on business activity, the financial situation and economic performance, focusing particularly on the generalised increase in commodities prices and the reduced availability of material supplies from areas affected by the conflict.

In this context, as part of its diversified portfolio, Naturgy has a long-term gas supply contract of Russian origin concluded in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%), which is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. In fiscal years 2023 and 2022, Naturgy has received the volumes strictly established in the contract. In 2023, the volume under this contract accounted for 15% of Naturgy's global supply (14% in 2022).

Moreover, none of Naturgy's counterparties could be affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of these measures and sanctions. For further details on interest rate, commodity price, credit and liquidity risks, see Note 18.

In addition to the new energy border with Russia, the conflict between Palestinians and Israelis has escalated recently following the terrorist attack on Israel in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

As this scenario is constantly evolving and as it is difficult to predict the extent or duration of the conflict's impact, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

### Note 3. Segment financial information

Following the process of continuous transformation in the second half of 2023, changes have been introduced in the financial reporting structure to adapt it to the grouping of Naturgy's businesses in two major areas: Distribution Networks and Energy Markets.

In addition, some changes have been made to the composition of Naturgy's operating segments in order to ensure greater clarity on the progress of operations in view of developments in the economic context in which the Group operates. These changes have been accompanied by the modification of Naturgy's senior management reporting model. Senior management is responsible for regularly reviewing the results of the segments within the company's operational decision-making process in order to decide on the resources to be allocated to each of them and assess their performance.

The changes made to the composition of the operating segments are as follows:

- Separation of Argentina's gas and electricity segments.
- Integration of the International LNG, Markets and Procurement and Pipelines segments into the new Energy Management segment.
- Separation of the Renewables segments in Spain and the United States.
- Integration of a holding unit with transversal activities in Distribution Networks and Energy Markets.

These changes have also been applied to the comparative information as at 31 December 2022, which has been restated to reflect the changes made to the segment structure during the year.

At 31 December 2023, the business segments have been grouped into two main blocks:

- **Distribution Networks:** groups together the business segments devoted to the management of regulated gas and electricity distribution and transport infrastructures:
  - **Gas Spain:** encompasses the regulated gas distribution business in Spain.
  - **Gas Mexico:** encompasses the regulated gas distribution and supply business in Mexico.
  - **Gas Brazil:** encompasses the regulated gas distribution and supply business in Brazil.
  - **Gas Argentina:** encompasses the regulated gas distribution and supply business in Argentina.
  - **Gas Chile:** encompasses the gas network and supply business in Chile.
  - **Electricity Spain:** encompasses the regulated electricity distribution business in Spain.
  - **Electricity Panama:** encompasses the regulated electricity distribution and supply business in Panama.
  - **Electricity Argentina:** encompasses the regulated electricity distribution and supply business in Argentina.

In 2022, these segments formed the Networks Iberia and Networks Latin America areas. This block also includes a holding company carrying out cross-cutting activities directly linked to the grouping's businesses.

- **Energy Markets:** includes the deregulated business segments as follows:
  - **Energy Management:** includes the following activities:
    - sale of liquefied natural gas and maritime transport (International LNG until 31 December 2022).
    - management of gas supply and other gas infrastructures and sale to large energy-intensive consumers (at 31 December 2022, all these activities were part of the Markets and Procurement segment).
    - management of the Medgaz pipeline, accounted for under the equity method (Gas Pipelines until 31 December 2022).
  - **Thermal Generation:**
    - **Spain:** includes the management of conventional Thermal Generation (which uses fuel for heat generation and which is not covered by a special scheme) in Spain (nuclear and combined cycle).
    - **GPG Latin America:** includes management of conventional Thermal Generation facilities of Global Power Generation (GPG) in Mexico, Dominican Republic and Puerto Rico, the latter accounted for using the equity method through EcoEléctrica LP.

- **Renewable Generation:**
  - **Spain:** includes the management of facilities and generation projects for wind energy, mini hydro, solar and cogeneration, additionally incorporating hydroelectric power generation in Spain, as well as the development portfolio in other European countries.
  - **GPG Latin America:** includes the management of the facilities and renewable electricity generation projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
  - **GPG Australia:** includes the management of the facilities and the renewable electricity generation projects of GPG in Australia.
  - **United States:** includes the management of photovoltaic generation projects in the United States.
- **Renewable Gases:** includes management of renewable gas projects, specifically biomethane and green hydrogen. At 31 December 2022, it was included in the Renewables and New Business segment.
- **Supply:** its objective is to manage the commercial model for end customers for gas, electricity and services, incorporating new technologies and services and developing the full potential of the brand.

In 2022, these segments made up the Energy Management, Renewables and New Business and Supply areas. A holding company carrying out cross-cutting activities directly linked to the grouping's businesses is also included.

- **Rest:** basically includes the corporation's operating expenses and other activities considered as New Business at 31 December 2022.

Segment results and investments for the periods of reference are as follows:

## Segment financial information – Income statement

2023	Distribution Networks										Energy Markets										Rest	Eli.	Total		
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy management	Thermal Generation		Renewable Generation			Renew. Gas	Supply	Holding and Eli.	Total					
												Spain	GPG LatAm	Spain	USA	GPG LatAm								GPG Australia	
Consolidated Net sales	1,028	718	1,753	267	877	770	887	98	—	<b>6,398</b>	6,468	1,133	771	82	(6)	145	15	—	7,561	49	<b>16,218</b>	1	—	<b>22,617</b>	
Net sales between segments	84	—	—	—	—	34	—	—	—	<b>118</b>	2,318	1,277	6	625	—	10	—	—	1,167	(3,357)	<b>2,046</b>	53	(2,217)	—	
Net sales (by segment)	1,112	718	1,753	267	877	804	887	98	—	<b>6,516</b>	8,786	2,410	777	707	(6)	155	15	—	8,728	(3,308)	<b>18,264</b>	54	(2,217)	<b>22,617</b>	
Procurements (by segment)	(148)	(378)	(1,312)	(160)	(483)	—	(655)	(44)	—	<b>(3,180)</b>	(7,539)	(1,756)	(441)	(72)	—	(8)	—	—	(7,579)	3,313	<b>(14,082)</b>	(12)	2,168	<b>(15,106)</b>	
Personnel expenses, net	(52)	(21)	(22)	(29)	(29)	(48)	(9)	(11)	(11)	<b>(232)</b>	(31)	(60)	(25)	(45)	(4)	(14)	(4)	(3)	(69)	(23)	<b>(278)</b>	(70)	—	<b>(580)</b>	
Other operating income/expenses	(90)	(28)	(63)	(58)	(42)	(106)	(48)	(17)	(14)	<b>(466)</b>	(112)	(194)	(41)	(153)	—	(26)	(16)	(2)	(376)	(35)	<b>(955)</b>	(84)	49	<b>(1,456)</b>	
EBITDA	822	291	356	20	323	650	175	26	(25)	<b>2,638</b>	1,104	400	270	437	(10)	107	(5)	(5)	704	(53)	<b>2,949</b>	(112)	—	<b>5,475</b>	
Depreciation, amortisation & impairment losses	(266)	(75)	(54)	(5)	(66)	(261)	(56)	(1)	—	<b>(784)</b>	(85)	(106)	(252)	(202)	(67)	(55)	(21)	—	(121)	(4)	<b>(913)</b>	(45)	—	<b>(1,742)</b>	
Impairment due to credit losses	(1)	(5)	(21)	(2)	1	7	(13)	(1)	—	<b>(35)</b>	(39)	(53)	—	—	—	—	—	—	(81)	—	<b>(173)</b>	—	—	<b>(208)</b>	
Other results	—	—	—	—	—	—	—	—	—	—	(40)	—	—	—	—	—	—	—	—	—	<b>(40)</b>	(15)	—	<b>(55)</b>	
Operating results	555	211	281	13	258	396	106	24	(25)	<b>1,819</b>	940	241	18	235	(77)	52	(26)	(5)	502	(57)	<b>1,823</b>	(172)	—	<b>3,470</b>	
Net financial income/(expense)	(104)	(51)	(23)	6	(45)	(92)	(75)	(24)	(32)	<b>(440)</b>	(26)	(35)	(4)	(88)	2	85	(17)	—	(13)	(171)	<b>(267)</b>	1,437	(1,248)	<b>(518)</b>	
Results of equity-consolidated companies	—	2	—	—	17	2	—	—	—	<b>21</b>	24	—	59	(14)	—	—	—	—	—	—	—	<b>69</b>	—	—	<b>90</b>
Corporate income tax	(115)	(55)	(78)	(4)	(53)	(75)	(10)	(6)	6	<b>(390)</b>	(132)	(64)	(53)	(32)	7	12	12	1	(120)	13	<b>(356)</b>	(22)	—	<b>(768)</b>	

2022	Distribution Networks										Energy Markets										Rest	Eli.	Total		
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy management	Thermal Generation		Renewable Generation			Renew. Gas	Supply	Holding and Eli.	Total					
												Spain	GPG LatAm	Spain	USA	GPG LatAm								GPG Australia	
Consolidated Net sales	1,041	1,035	1,932	444	895	803	891	128	—	<b>7,169</b>	12,678	3,309	1,080	119	—	125	32	—	9,358	94	<b>26,795</b>	1	—	<b>33,965</b>	
Net sales between segments	94	—	—	—	—	36	—	—	—	<b>130</b>	5,975	2,400	—	478	—	9	1	—	1,786	(5,964)	<b>4,685</b>	54	(4,869)	—	
Net sales (by segment)	1,135	1,035	1,932	444	895	839	891	128	—	<b>7,299</b>	18,653	5,709	1,080	597	—	134	33	—	11,144	(5,870)	<b>31,480</b>	55	(4,869)	<b>33,965</b>	
Procurements (by segment)	(133)	(735)	(1,535)	(256)	(664)	(3)	(694)	(63)	—	<b>(4,083)</b>	(17,641)	(4,993)	(760)	(102)	—	(19)	—	—	(10,269)	5,862	<b>(27,922)</b>	(3)	4,814	<b>(27,194)</b>	
Personnel expenses, net	(52)	(17)	(21)	(40)	(27)	(44)	(9)	(13)	(11)	<b>(234)</b>	(36)	(56)	(19)	(42)	(1)	(14)	(3)	(2)	(69)	(23)	<b>(265)</b>	(48)	—	<b>(547)</b>	
Other operating income/expenses	(113)	(27)	(69)	(89)	(44)	(109)	(45)	(22)	(4)	<b>(522)</b>	16	(238)	(36)	(142)	(25)	(27)	(15)	(1)	(264)	(6)	<b>(738)</b>	(65)	55	<b>(1,270)</b>	
EBITDA	837	256	307	59	160	683	143	30	(15)	<b>2,460</b>	992	422	265	311	(26)	74	15	(3)	542	(37)	<b>2,555</b>	(61)	—	<b>4,954</b>	
Depreciation, amortisation & impairment losses	(390)	(55)	(52)	(6)	(58)	(252)	(54)	—	—	<b>(867)</b>	(102)	(99)	(83)	(150)	(3)	(65)	(12)	—	(100)	—	<b>(614)</b>	(51)	—	<b>(1,532)</b>	
Impairment due to credit losses	(1)	(8)	(26)	(1)	(2)	(11)	(12)	(2)	—	<b>(63)</b>	—	(23)	(1)	—	—	—	—	—	(141)	—	<b>(165)</b>	—	—	<b>(228)</b>	
Other results	—	—	—	—	(128)	—	—	—	—	<b>(128)</b>	3	—	—	9	—	—	—	—	—	—	<b>12</b>	5	—	<b>(111)</b>	
Operating results	446	193	229	52	(28)	420	77	28	(15)	<b>1,402</b>	893	300	181	170	(29)	9	3	(3)	301	(37)	<b>1,788</b>	(107)	—	<b>3,083</b>	
Net financial income/(expense)	(125)	(40)	(104)	(12)	(125)	(71)	(48)	(23)	(90)	<b>(638)</b>	(92)	(12)	(6)	(36)	—	65	(11)	—	(20)	(116)	<b>(228)</b>	1,662	(1,461)	<b>(665)</b>	
Results of equity-consolidated companies	—	2	—	—	18	1	—	—	—	<b>21</b>	37	—	50	20	—	—	—	—	—	—	—	<b>107</b>	—	—	<b>128</b>
Corporate income tax	(86)	(48)	(36)	(5)	53	(90)	(12)	(5)	33	<b>(196)</b>	(216)	(71)	(55)	(20)	4	—	(4)	—	(79)	12	<b>(429)</b>	(72)	—	<b>(697)</b>	

**Segment financial information – Assets, liabilities and investments**

2023	Distribution Networks										Energy Markets										Rest	Eli.	Total	
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy management	Thermal Generation		Renewable Generation			Renew. Gas	Supply	Holding and Eli.	Total				
												Spain	GPG LatAm	Spain	USA	GPG LatAm								GPG Australia
Operating assets (a)	2956	903	1,046	159	1,880	5,430	1,463	33	11	<b>13,881</b>	2,526	1,884	1,182	4,644	511	781	1,262	2	1,590	(681)	<b>13,701</b>	291	(326)	<b>27,547</b>
Investments under equity method	0	4	—	—	29	6	—	—	—	<b>39</b>	234	8	260	64	—	—	—	—	—	1	<b>567</b>	6	—	<b>612</b>
Operating liabilities (a)	760	92	515	51	388	1,199	264	15	121	<b>3,405</b>	1,031	1,139	170	433	26	99	39	—	1,241	(682)	<b>3,496</b>	324	(326)	<b>6,899</b>
Investment in intangible assets (b)	15	7	68	13	1	46	1	12	—	<b>163</b>	3	5	1	9	—	2	—	—	134	—	<b>154</b>	10	—	<b>327</b>
Invest. in property, plant & equipment (c)	102	63	—	2	52	403	123	—	—	<b>745</b>	1	99	44	310	297	17	286	—	1	2	<b>1,057</b>	7	—	<b>1,809</b>
Business combinations (Note 32)	—	—	—	—	—	—	—	—	—	<b>—</b>	—	—	—	558	—	—	—	—	—	—	<b>558</b>	—	—	<b>558</b>

2022	Distribution Networks										Energy Markets										Rest	Eli.	Total	
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Holding and Eli.	Total	Energy management	Thermal Generation		Renewable Generation			Renew. Gas	Supply	Holding and Eli.	Total				
												Spain	GPG LatAm	Spain	USA	GPG LatAm								GPG Australia
Operating assets (a)	3,070	848	1,008	248	2,015	5,187	1,444	72	—	<b>13,892</b>	4,625	2,012	1,278	3,662	269	808	916	—	2,637	(1,120)	<b>15,087</b>	281	(197)	<b>29,063</b>
Investments under equity method	—	3	—	—	30	6	—	—	—	<b>39</b>	253	10	271	78	—	—	—	—	—	—	<b>612</b>	5	—	<b>656</b>
Operating liabilities (a)	724	108	502	103	405	1,065	350	48	81	<b>3,386</b>	2,500	1,439	180	347	44	112	315	—	1,206	(1,143)	<b>5,000</b>	284	(197)	<b>8,473</b>
Investment in intangible assets (b)	16	14	57	24	1	34	1	17	—	<b>164</b>	4	3	1	9	—	5	2	—	131	—	<b>155</b>	14	—	<b>333</b>
Invest. in property, plant & equipment (c)	100	54	—	2	39	287	130	—	—	<b>612</b>	1	84	76	380	170	22	223	—	1	1	<b>958</b>	4	—	<b>1,574</b>
Business combinations (Note 32)	—	—	—	—	—	—	—	—	—	<b>—</b>	—	—	—	58	—	—	—	—	—	—	<b>58</b>	—	—	<b>58</b>

(a) There follows a breakdown of the reconciliation of "Operating assets" and "Operating liabilities" with consolidated "Total assets" and "Total liabilities":

	2023	2022		2023	2022
<b>Operating assets</b>	<b>27,547</b>	<b>29,063</b>	<b>Operating liabilities</b>	<b>6,899</b>	<b>8,473</b>
Goodwill	2,930	2,998	Equity	11,929	9,979
Investments carried under the equity method	612	656	Non-current financial liabilities	13,426	13,999
Non-current financial assets	484	493	Deferred tax liabilities	2,016	1,951
Deferred tax assets	1,919	2,210	Current financial liabilities	2,544	2,302
Derivative financial instruments (Note 10)	138	390	Derivative financial instruments (Notes 19 and 20)	504	3,288
Public administrations (Note 10)	103	97	Dividends payable (Note 19)	39	14
Current tax assets	39	90	Public administrations (Note 20)	412	331
Other current financial assets	435	408	Current tax liabilities (Note 20)	124	53
Cash and cash equivalents	3,686	3,985	<b>Total Equity and liabilities</b>	<b>37,893</b>	<b>40,390</b>
<b>Total assets</b>	<b>37,893</b>	<b>40,390</b>			

(b) Includes the investment in "Intangible assets" (Note 5), broken down by operating segment

(c) Includes the investment in "Property, plant and equipment" (Note 6), broken down by operating segment.



## Reporting by geographic area

Naturgy's assets, which include operating assets in line with the criterion applied in the above breakdown, and investments recorded using the equity method are as follows based on their location:

	<b>31.12.2023</b>	31.12.2022
Spain	18,212	18,992
Latin America	7,740	8,025
Argentina	192	320
Brazil	1,167	1,127
Chile	2,294	2,377
Mexico	2,287	2,316
Panama	1,503	1,487
LatAm Rest	297	398
Rest of Europe	434	1,441
Other	1,773	1,261
Australia	1,262	916
USA	511	345
<b>Total</b>	<b>28,159</b>	<b>29,719</b>

The investments in property, plant and equipment and other intangible assets of Naturgy, as described above, assigned according to the location of the assets are as follows:

	<b>31.12.2023</b>	31.12.2022
Spain	1,146	1,070
Latin America	407	442
Argentina	27	43
Brazil	70	57
Chile	70	63
Mexico	114	143
Panama	124	131
LatAm Rest	2	5
Other	583	395
Australia	286	225
USA	297	170
<b>Total</b>	<b>2,136</b>	<b>1,907</b>

Net sales by geographical area is detailed in Note 22.

## Note 4. Non-financial asset impairment losses

### Definition of Cash Generating Unit

At 31 December 2023 the cash-generating units (CGUs) are the same as at 31 December 2022, except for the combination of the International LNG and the Markets and Procurement CGUs due to the fact that a single management unit controls the operations and assets of these business lines. No impairment losses have been recognised or reversed in these CGUs at 31 December 2023 or 31 December 2022.

The New Business CGU has been renamed Renewable Gases, which includes the biomethane and green hydrogen assets. The remaining assets that were included in New Business at 31 December 2022 are now recorded in Other CGUs at 31 December 2023.

#### – Distribution Networks

- **Gas Networks Spain:** Is a single CGU as the development, operation and maintenance of the gas distribution network is managed jointly.
- **Electricity Networks Spain:** This makes up a single CGU since the network comprises a group of interrelated assets the development, operation and maintenance of which is managed jointly.
- **Latin American Networks:** A CGU is understood to exist for each business and country in which there are operations since the businesses are subject to different regulatory frameworks. It includes the regulated gas distribution business in Argentina, Brazil, Chile and Mexico, and the regulated electricity distribution business in Argentina and Panama.

#### – Energy Markets

- **LNG and Markets and Procurement:** A single CGU is considered to exist as the sale of liquefied natural gas and maritime transport are both managed on a global scale, as are supply and other gas infrastructures, and sales to large energy-intensive consumers.
- **Gas Pipelines:** Includes the CGU that manages the Medgaz pipeline.
- **Thermal Generation Spain:** A single CGU is considered to exist for thermal power generation in Spain (nuclear and combined cycle).
- **Thermal Generation Latin America:** A thermal power generation CGU is understood to exist in each country in which there are operations (Mexico, Dominican Republic and Puerto Rico) since the businesses are subject to different regulatory frameworks and are managed independently.
- **Renewable Generation Spain:** One CGU is considered for renewable electricity generation (wind, mini-hydro, solar and cogeneration) and another CGU for hydroelectric power generation.
- **Renewable Generation United States:** CGUs are considered for assets in the country for which cash flow generation which is separate from the others can be identified.
- **Renewable Generation Latin America:** A renewable power generation CGU is understood to exist in each country in which there are operations (Brazil, Costa Rica, Mexico, Panama and Chile) since the businesses are subject to different regulatory frameworks and are managed independently.
- **Renewable Generation Australia:** CGUs are considered for assets in the country for which cash flow generation which is separate from the others can be identified.
- **Renewable Gases:** One CGU is considered which includes management of renewable gas projects, specifically biomethane and green hydrogen.

- **Supply:** The commercial management of natural gas, electricity and services is carried out on a comprehensive basis, maximising the value of the portfolio by focusing on customers and with high potential for growth in services and solutions, for which there is a single CGU.

The grouping of assets considered in the above CGUs has not changed since the previous estimate of their recoverable amount in June 2023.

### Information on tests performed

Naturgy has evaluated the recoverable value of the CGUs based on the Strategic Plan 2021-2025 approved by the Board of Directors on 28 July 2021 and subsequently updated by the Board in July 2023, adapted for regulatory updates and energy variables, taking into account the investment plans that maintain the production capacity of the assets of the lines of business and the market conditions in which they operate. The time-frame of the projections has been extended to a period of 10 years or the remaining useful life for certain assets and concessions. When estimating cash flows, various potential future scenarios have also been considered if they provide more relevant information for representing the future economic conditions of the assets.

The current macroeconomic environment has also been considered, resulting from a combination of effects mainly related to inflation, rising interest rates, geopolitical risks and uncertainties. Naturgy's management model ensures that any signs of deterioration that could arise as a result of the current macroeconomic environment are identified in a timely manner, allowing action to be taken accordingly.

In particular, the following aspects should be highlighted for their relevance in the tests:

- Impact of the Ukraine and Middle East conflicts, and the economic environment (Note 2.4.25.l):

Cash flows have taken into account the effects of developments in the international gas markets and the electricity market.

In Spain, in particular, the approval of regulations aimed at the gradual lifting of the measures introduced in early 2022 with the initial aim of addressing the transitory volatility of gas markets and high gas prices have been considered.

With regard to the economic environment, rising interest rates and increased risk perception have particularly affected discount rates which have increased with respect to previous years, while rising inflation has been factored into cash flows with mainly short-term repercussions.

- Climate change impact:

The projected cash flows represent Naturgy's current positioning to drive the energy transition and decarbonisation, responding to its strategy which includes the objectives of the Paris Agreement.

In particular, the assumptions considered for the pricing path used in the projections are in line with the energy transition, and the projected cash flows take into account greenhouse gas emission reduction targets as well as the impacts of climate change on the recoverability of non-financial assets. This is discussed in detail in Note 2.4.25.k.

### Aspects of the projections used

The most sensitive aspects included in the projections used are as follows:

- Gas and Electricity Networks Spain:
  - Remuneration. Amount and growth of remuneration. Amount and growth of remuneration. In relation to the regulatory framework, the future cash flows of these business lines have been reviewed taking into account the publications by the regulator in 2023, 2022, 2021 and 2020 described in Appendix IV on the remuneration methodology for the regulated electricity and gas distribution activity.
  - Operating and maintenance costs. Estimated on the basis of the historical cost of the network managed.

- Investments. Considering the investments required to maintain the regular use of the network and the quality of supply, as well as the digitalisation of electricity networks and the estimated investment in line with sector requirements and the digital transition in the operation of gas networks.
  - In the case of LPG distribution assets, as there is evidence of impairment a fair value estimate has been considered to determine the recoverable amount of these assets.
- Latin American Networks: for Gas Network CGUs in Brazil, Chile, Argentina and Mexico and Electricity Network CGUs in Argentina and Panama:
- Variations in rates. Valuation of rates in each country, based on existing regulatory conditions and both current and expected rate reviews, taking into account the experience gained from previous rate reviews in each country.
  - Cost of raw materials and consumables. Estimated on the basis of predictive modelling based on an understanding of energy markets in each country. Additional consideration has been given to the implications for distributors of new regulations in the countries arising from volatility in gas and electricity prices detailed in Appendix IV.
  - Operating and maintenance costs. Estimated on the basis of the historical cost of the network managed.
  - Investments. Taking into account the necessary investments to maintain the regular use of the network and supply quality and safety.
  - In the case of distribution assets in Argentina, various scenarios have been considered for the transitional adjustment of public service tariffs for the transportation and distribution of natural gas, as well as the determination of a monthly update index for tariffs in an economic environment that is faced by significant fiscal adjustment, greater deregulation and the opening up of the economy. Therefore, when determining value in use and weighting the scenarios, it has been considered that the announcements pointing to an adjustment of transmission and energy tariffs are positive, considering in the valuation that the economic environment is not yet consolidated.
- Thermal Generation Spain:

The assumptions and projections affecting this CGU have been based on the best forward-looking information available to date, generally considering the possible effects on generation of the transition expected due to the increase in renewable energy sources set out in the rules on the current NECP in the Climate Change and Energy Transition Law detailed in Appendix IV. The above-mentioned projections consider a production path based on the NECP projections, which envisage the need for the total installed capacity of the combined cycle generation units in the projection timeframe (2032).

The assumptions taken into consideration are the following:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Pool price €/MW (*)	97.1	102	75	87	80	81	82	84.0	85.0	87
Brent (USD/bbl) (*)	82	79.1	78	79	78	81	84	91	93.0	95
Gas Henry Hub (USD/MMBtu) (*)	3	3.5	4	4.4	4.4	4.7	4.5	4.4	4.5	4.7
PVB (€/MWh) (*)	45.7	48.7	41.6	34.0	31.0	29	30	32	33	34
CO2 €/t (*)	85.8	95	95.8	97.0	101.0	105	111	117	120	126

(\*) estimated amounts as of the date of the test

The most sensitive aspects that are included in the estimate of the recoverable amount determined according to the value in use and applying the methodology detailed in Note 2.4.6 are the following:

- Electricity generated. Demand trends were estimated based on CNMC and analyst projections, considering also the existing contracts with Naturgy's supply companies. The share was estimated on the basis of Naturgy's market share in each technology and the expected performance of each technology's share in the total market, in line with the expected future evolution of the generation mix, maintaining the forecast decline in thermal production, offset by a mechanism that remunerates firm capacity, which is expected to be established when renewables penetration increases.
- Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.
- The projected flows take into account the regulatory changes under RDL 8/2023 (Appendix IV) derived from the increase in electricity prices in the wholesale market, the most significant being as follows:
  - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.
  - The gradual phasing in of the 7% electricity production value tax until its full implementation by 30 June 2024 and the gradual increase in VAT on gas from 5% to 21% as from 1 April 2024.
  - The unitary values for financing the energy subsidy ("bono social") in 2024.
  - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
- Additionally, for nuclear generation facilities, the flows consider the proposal by the MITERD in January 2024 of a RDL Project by which the ENRESA rate is increased, as a consequence of the construction of the Decentralized Temporary Storage.
- Fuel costs. Estimated on the basis of market prices.
- Operating and maintenance costs. These costs have been estimated on the basis of the historical costs of managed facilities and the business plans of the nuclear power plants.
- On 11 and 17 October 2023, the Supreme Court issued rulings partially upholding the appeals filed by Naturgy Generación S.L.U. against the rejection of the requests for the closure of ten gas combined cycle plants filed in 2017 and 2019. Through these rulings, the Supreme Court authorized Naturgy to shut down temporarily, leaving the final decision on the temporary shutdown of these facilities under Naturgy's control. At the date of authorisation of these consolidated annual accounts, Naturgy has not decided on the shutdown of these plants and, therefore, this fact was not considered in the impairment tests for 2023.
- Thermal Generation Latin America:

For thermal electricity generation CGUs in Mexico and the Dominican Republic:

- Thermal Generation in Mexico is carried out over most of its useful life under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables. In the Dominican Republic and Mexico, upon termination of the contracts energy prices are set based on the market and are estimated on the basis of developments in the country's energy scenario, including the foreseeable evolution of the generation pool and taking into account expected supply and demand, and production costs.
- Operating and maintenance costs. Estimated from historical costs of the managed park.

- When updating the recoverable amount of the Mexican combined cycle plants, the increase in development permits for renewable energy facilities which will affect the market price used in the projections at the end of the long-term power sale contracts to the Federal Electricity Commission (CFE) has been considered among the possible scenarios.
- The delivery of emission allowances equivalent to the tonnes of CO2 emitted. Until 2026, the allocation of free allowances, as provided in the draft ETS Baseline, is expected to cover projected emissions in accordance with production projections.

From 2027 onwards, although the criteria for the free allocation of allowances and the emissions reduction pathway that will be required have not yet been defined, it is expected that the emissions generated will be covered by the free allocation and when this is not sufficient or the free allocation is discontinued, CO2 costs will be transferred to selling prices as an additional operating cost, both in electricity generation capacity assignment contracts with the Federal Electricity Commission (CFE) and in sales of surplus capacity in the Mexican wholesale market, similar to the case in the European market.

In the case of the Puerto Rico Generation CGU:

- The main estimates considered in the flows generated relate to the contract with Puerto Rico Electric Power Authority (PREPA), which will remain in force until the end of 2032.

– Renewable Generation Spain:

The assumptions and projections affecting the Renewable power generation and Hydroelectric power generation CGUs are based on the best forward-looking information available to date.

In the case of Renewable Generation Spain, fair value less costs to sell is considered to be the best estimate of the recoverable amount and therefore its valuation includes the necessary flows that market players would take into account when assessing the value of the CGU using the present value method.

Fair value was determined on the basis of external sources of information and the company's estimate is therefore a level 3 estimate.

The assumptions concerning changes in the pool price coincide with those considered in the Thermal Generation Spain CGU.

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

- Electricity generated.

For the Renewable power generation CGU, projections of hours of operation of each park consistent with their historical output and predictions based on historical records of similar parks have been used when there were no historical data. In addition, the increase in output due to the planned hybridisations and repowering of existing facilities has been taken into account.

For the hydroelectric power generation CGU, developments in hydraulicity and their impact on hydrographic flows and therefore on production are taken into account.

- Electricity price. Market electricity prices used have been calculated using models that cross expected demand with supply forecasts, taking into account the foreseeable evolution of generation capacity in Spain, based on sector forecasts, the development of the energy scenario on the basis of futures curves, and analysts' forecasts. The estimates also include the impact of existing contracts with the Group's supply companies.
- The projected flows take into account the regulatory changes under RDL 8/2023 and other regulations (Appendix IV), the most significant being as follows:
  - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.

- The gradual phasing-in of the 7% tax on the value of electricity production until its full implementation by 30 June 2024.
  - The unitary values for financing the energy subsidy (“bono social”) in 2024.
  - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
  - Cogeneration remuneration. This establishes the estimate of prices involved in updating the operation’s remuneration in the first half of 2024.
  - The measures envisaged to regulate water impounded for hydroelectric use.
- Remuneration. For the Renewable Generation CGU facilities entitled to specific remuneration, the remuneration has been estimated on the basis of the remuneration parameters for the established regulated income period. Specifically, Order TED/741/2023 has been considered, which updated the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the regulatory semi-period 2023-2025.
  - Operating and maintenance costs. Estimated from historical costs of the managed park.
  - Investments. The investments required to maintain the regular use of the facilities are taken into account, and in the case of Renewable Electricity Generation, the investments necessary for the repowering and hybridisation of installations currently in operation are also included.
- Renewable Generation United States:
 

In 2023, the development of a portfolio of more than 30 projects based on solar technology and storage continued to be managed, and in December energy started being fed into the grid from the 300 MW 7vSolar Ranch facility in Texas.

In 2023, as a result of the measures adopted in the USA concerning components for photovoltaic plants from China and inflation which increased construction costs, the performance of these assets has been below expectations resulting in the recognition of an impairment loss at two of the sites under development.

In addition, as part of project management the acquired portfolio has been analysed and projects acquired with a low probability of realisation have been impaired, mainly due to difficulties in interconnection and in obtaining licences.
  - Renewable Generation Latin America:
 

Includes the Brazil, Costa Rica, Mexico, Panama and Chile electricity generation CGUs.

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

    - Electricity price: Renewable electricity generation in Latin America is managed under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables.
    - Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.

- In the case of Renewables Chile, due to the situation in the electricity market in Chile the company Ibereólica Cabo Leones II S.A. requested the suspension of the long-term electricity sale contract, and it was suspended as a market operator as from 8 October 2022 due to its failure to comply with the long-term contract. On 12 July 2023 the “Coordinador Eléctrico Nacional” authorised the company to re-enter the market and payments that had been withheld in favour of the company were released. Following its re-entry there was a considerable improvement compared with the period before its market exclusion as the price mismatches between the system nodes had narrowed, due among other reasons to improved hydraulicity and the relative stabilisation of fossil fuel prices leading to a reduction in prices at the nodes most dependent on these generation sources.

However, structural problems stemming from deficits in the transmission networks and diversity in the generation mix at each node are still present.

In this context, the continuity of the company as market operator has been assessed and accordingly an increase in the weighting of the scenario envisaging the non-suspension of the long-term electricity sale contract has been considered.

- Renewables Generation Australia:
  - Electricity generation in Australia is carried out over most of its useful life under energy sale-purchase contracts through stable business models which are not subject to fluctuation risks on the basis of market variables. Upon termination of the contracts, energy prices are set based on the market and are estimated on the basis of developments in the country's energy scenario, including the foreseeable evolution of the generation pool and taking into account expected supply and demand, and production costs.
  - Operating and maintenance costs. Estimated on the basis of historical costs and on the basis of best forecasts when no historical data are available.
- Supply:
  - Supply margin. Forecasts concerning trends in customer numbers and demand have been used, considering unitary margins based on the contracts concluded and estimates of these figures in the contract renewals.
  - The projected flows take into account the regulatory changes under RDL 8/2023 (Appendix IV), the most significant being as follows:
    - The extension in 2024 of the 1.2% temporary energy tax on Revenue laid down in Law 38/2022, defined as a temporary public benefit.
    - The unitary values for financing the energy subsidy (“bono social”) in 2024.
    - The elimination of the mechanism for reducing the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market.
    - Extension of reduced VAT on gas and electricity, but with a gradual increase in rates.
    - The ban on cutting off gas and electricity supplies to vulnerable customers has been maintained until 30 June 2024.
    - The 15% limit on the increase in the cost of raw materials for price revisions in regulated gas tariffs has been extended.

## Discount rates and growth rates used

The pre-tax discount rates used in the impairment tests carried out in 2023 and 2022 are as follows:



<b>Discount rate</b>	<b>2023</b>	<b>2022</b>
<b>Distribution Networks</b>		
Gas and Electricity Distribution Spain	7 %-7,4 %	6,4 %-6,7 %
Gas and Electricity Distribution Latin America	10,2 % - 25,1 %	8,9 % - 22,8 %
Gas Distribution Argentina (1)	25.1 %	22.8 %
<b>Energy Markets</b>		
Thermal Generation Spain	9.0 %	8.2 %
Thermal Generation Latin America	10,2%-13,1 %	10,2%-13,1 %
Renewable Generation Spain	7.8 %	7.1 %
Hydroelectric Generation Spain	8.4 %	6.8 %
Latin America Renewables	10,2 %-17,7 %	9,8 %-16,4 %
Australia Renewables	9.3 %	8.8 %
USA Renewables	7.4 %	6.5 %
Renewable Gases	8.5 %	7.8 %
Supply	8.3 %	7.4 %

(1) Rate determined in USD

Growth rates, determined as indicated in note 2.4.6, in the impairment tests performed in 2023 and 2022 were as follows:

<b>Growth rate</b>	<b>2023</b>	<b>2022</b>
<b>Distribution networks</b>		
Gas and Electricity Distribution Spain	1,5 %-2,0 %	1,0 %-2,0 %
Gas and Electricity Distribution Latin America	2,1%-14,5%	2,1 %-12,6 %
Gas Distribution Argentina	14.5 %	12.6 %
<b>Energy Markets</b>		
Thermal Generation Spain	2.0 %	2.0 %
Thermal Generation Latin America	2,0%-2,1%	2.0 %
Renewable Generation Spain	2.0 %	2.0 %
Hydroelectric Generation Spain	2.0 %	2.0 %
Latin America Renewables	2,1 %-3,2 %	2,1 %-3,3 %
Australia Renewables	2.1 %	2.9 %
USA Renewables	2.1 %	2.1 %
Renewable Gases	2.0 %	2.0 %
Supply	(0.3)%	0.3 %

## Results of the tests performed

As a result of the impairment tests carried out in 2023 and 2022, the recoverable amounts, calculated according to the methodology described in Note 2.4.6. have been higher than the carrying values recorded in these consolidated annual accounts except for:

## 2023

Impairment losses of Euros 288 million have been recorded under "Depreciation and impairment losses" as follows:

- Thermal Generation Mexico (GPG LatAm segment): as a result of the update of the impairment test of the Mexican Thermal Generation CGU, a goodwill impairment amounting to Euros 168 million was recognised. The value of the Thermal Generation Mexico CGU, determined based on its value in use which is equivalent to its carrying amount, is Euros 1,187 million.
- Renewable Generation Spain: as a result of the court ruling adopting precautionary measures to suspend the permits granted to a Renewable Wind Power Generation facility under construction in Spain, the impairment of this facility has been calculated in the event that these appeals are upheld on a definitive basis. In addition, the development of a photovoltaic facility has been halted due to the discovery of archaeological remains. In both cases an impairment loss of Euros 20 million has been recognised for Property, plant and equipment (Note 6). These projects have been impaired based on the recoverable value of the components that could be used in other Naturgy Renewable Generation facilities.
- Renewable Generation USA: the projects have been evaluated and an impairment of Euros 65 million has been recorded, of which Euros 7 million relates to Goodwill, Euros 34 million to Intangible assets (Note 5) and Euros 24 million to Property, plant and equipment (Note 6) relating to projects acquired with low probability of completion and facilities under development, basically affected by the increase in construction costs. The value of these projects, determined based on their value in use which is equivalent to their carrying amount, is Euros 311 million.
- Renewable Generation Chile (GPG LatAm segment): due to the situation in Cabo Leones mentioned above, an impairment of Euros 25 million has been recorded under Property, plant and equipment (Note 6). The recoverable amount of Cabo Leones, which is equivalent to its carrying amount, is Euros 155 million.
- Gas Networks Mexico: although no impairment has arisen for the Gas Distribution Mexico CGU, an impairment has been recognised for certain energy solutions assets due to the customer's breach of contract for an amount of Euros 10 million. This asset has been fully impaired.

## 2022

Impairment losses of Euros 148 million were recorded under "Depreciation and impairment losses" as follows:

- Gas Networks Spain: impairment of Euros 112 million under Property, plant and equipment (Note 6) with respect to LPG distribution assets.
- Renewable Generation Chile (GPG LatAm segment): due to the situation of Cabo Leones referred to above, an impairment of Euros 33 million has been recorded of which Euros 25 million relates to intangible assets (Note 5) and Euros 8 million to property, plant and equipment (Note 6).
- Renewable Generation USA: an impairment loss of Euros 3 million was recognised for intangible assets (Note 5) relating to one of the projects acquired, mainly due to the cancellation of the long-term sale contract.

Impairment in the amount of Euros 5 million was reversed in "Other financial income" (Note 30) in connection with the Generation Electricity in Costa Rica, within the Latin America Renewables business segment.

## Sensitivity analysis

A sensitivity analysis has been carried out for the results of the impairment tests described. The following variations in the key assumptions for each of them have been separately considered, with the following result:

## 2023

**Thermal Generation Spain:** the outcome of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not entail any impairment.
- a decrease in the growth rate of 50 basis points would not entail any impairment.
- a decrease in electricity output of 5% would entail an impairment of Euros 24 million.
- a decrease in the average electricity price of 1 €/MWh over the remaining life of the facility together with the related variation in the cost of gas and CO2 would not entail any impairment.

**Hydroelectric Generation Spain:** the outcome of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail an impairment of Euros 39 million.
- a decrease in the growth rate of 50 basis points would entail an impairment of Euros 3 million.
- a decrease in electricity output of 5% would entail an impairment of Euros 68 million.
- A decrease in the average electricity price over the remaining life of the facility of 1 euro/MWh would entail an impairment of Euros 15 million.

**Renewable Generation Spain:** the outcome of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would not entail any impairment.
- a decrease in the discount rate of 5% would not entail any impairment.
- A decrease in the average price of electricity during the remaining life of the installation of 1 euro/MWh would mean a reduction in the fair value of the CGU of 85 million euros, without entailing impairment.
- A 5% increase in operation and maintenance costs would not entail any impairment.
- A 5% increase in the cost of the investment would not entail any impairment.

**Gas Distribution Networks Argentina:** the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail a decline in value of Euros 4 million.
- a decrease in the growth rate of 50 basis points would entail a decline in value of Euros 1 million.
- a decrease in the rate/remuneration trend of 5% would not entail any impairment.
- an increase in operating and maintenance costs of 5% would entail a decline in value of Euros 14 million.
- an increase in investments of 5% would entail a decline in value of Euros 9 million.

**Thermal Generation Mexico:** the result of the sensitivity analysis is as follows:

- an increase in the discount rate of 50 basis points would entail an additional impairment of Euros 36 million.
- a decrease in the growth rate of 50 basis points would entail an additional impairment of Euros 9 million.
- a 5% decrease in the selling price of electricity to the market would result in an additional impairment of Euros 60 million

**Renewable Generation United States:** The result of the sensitivity analysis is as follow:

- an increase in the discount rate of 50 basis points would entail an additional impairment of Euros 13 million.
- a 5% increase in the construction cost would entail an additional impairment of Euros 2 million.
- a 5% decrease in the selling price of electricity to the market would result in an additional impairment of Euros 4 million.

**Renewable Generation Brazil:** The result of the sensitivity analysis is as follow:

- an increase in the discount rate of 50 basis points would not entail any impairment.

**Renewable Generation Panama:** The result of the sensitivity analysis is as follow:

- an increase in the discount rate of 50 basis points would not entail any impairment.

**Electricity Generation Costa Rica:** The result of the sensitivity analysis is as follow:

- an increase in the discount rate of 50 basis points would not entail any impairment.

## Other CGUs

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

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

These sensitivity analyses performed separately for each basic assumption would not affect the conclusions drawn to the effect that the recoverable amount exceeds the carrying amount for each of these CGUs.

## Note 5. Intangible assets

The movement in 2023 and 2022 in intangible assets is as follows:

	Concessions IFRIC 12	Other concessions and similar	Computer software	Other intangible assets	Subtotal	Goodwill	Total
Gross cost	1,614	1,342	1,290	976	5,222	2,950	<b>8,172</b>
Amortisation fund and impairment losses	(931)	(21)	(1,018)	(468)	(2,438)	—	<b>(2,438)</b>
<b>Carrying amount at 31.12.2021</b>	<b>683</b>	<b>1,321</b>	<b>272</b>	<b>508</b>	<b>2,784</b>	<b>2,950</b>	<b>5,734</b>
Investment (Note 3)	93	—	127	113	333	—	<b>333</b>
Depreciation charge (Nota 28)	(56)	—	(98)	(118)	(272)	—	<b>(272)</b>
Impairment losses (Note 4 & 28)	—	—	—	(24)	(24)	(4)	<b>(28)</b>
Currency translation differences (1)	77	39	2	15	133	45	<b>178</b>
Business combinations (Note 32) and Assets acquisitions (Note 2.4.1.d.)	—	—	—	2	2	7	<b>9</b>
Reclassifications and other	1	—	5	12	18	—	<b>18</b>
<b>Carrying amount at 31.12.2022</b>	<b>798</b>	<b>1,360</b>	<b>308</b>	<b>508</b>	<b>2,974</b>	<b>2,998</b>	<b>5,972</b>
Gross cost	2,100	1,382	1,436	1,072	5,990	2,998	<b>8,988</b>
Amortisation fund and impairment losses	(1,302)	(22)	(1,128)	(564)	(3,016)	—	<b>(3,016)</b>
<b>Carrying amount at 31.12.2022</b>	<b>798</b>	<b>1,360</b>	<b>308</b>	<b>508</b>	<b>2,974</b>	<b>2,998</b>	<b>5,972</b>
Investment (Note 3)	92	—	122	113	327	—	<b>327</b>
Depreciation charge (Nota 28)	(55)	(1)	(110)	(134)	(300)	—	<b>(300)</b>
Impairment losses (Note 4 & 28)	—	—	—	(34)	(34)	(175)	<b>(209)</b>
Currency translation differences (1)	(52)	(41)	(1)	(4)	(98)	(21)	<b>(119)</b>
Business combinations (Note 32) and Assets acquisitions (Note 2.4.1.d.)	—	—	1	168	169	128	<b>297</b>
Reclassifications and other	—	—	1	—	1	—	<b>1</b>
<b>Carrying amount at 31.12.2023</b>	<b>783</b>	<b>1,318</b>	<b>321</b>	<b>617</b>	<b>3,039</b>	<b>2,930</b>	<b>5,969</b>
Gross cost	1,910	1,341	1,245	1,325	5,821	2,930	<b>8,751</b>
Amortisation fund and impairment losses	(1,127)	(23)	(924)	(708)	(2,782)	—	<b>(2,782)</b>
<b>Carrying amount at 31.12.2023</b>	<b>783</b>	<b>1,318</b>	<b>321</b>	<b>617</b>	<b>3,039</b>	<b>2,930</b>	<b>5,969</b>

(1) Includes the effect of inflation in Argentina (Note 2.4.2.).

Note 3 includes a breakdown of investments in intangible assets by segment.

As detailed in Note 4, the following impairments have been recorded as a result of the impairment tests performed in 2023:

- Thermal Generation Mexico: goodwill impairment amounting to Euros 168 million (Notes 4 and 28).
- Renewable Generation USA: impairment of Euros 41 million (Euros 7 million for goodwill and Euros 34 million for Other intangible assets) (Notes 4 and 28).

As a result of the impairment tests performed in 2022, the following impairment was recognised:

- Renewable Generation Chile: impairment of Euros 25 million (Euros 22 million for other intangible assets and Euros 3 million for goodwill) (Notes 4 and 28).
- Renewable Generation USA: impairment of Euros 3 million (Euros 2 million for other intangible assets and Euros 1 million for goodwill) (Notes 4 and 28).

The acquisition of ASR Wind in 2023 resulted in a business combination addition of Euros 178 million, of which Euros 128 million relates to Goodwill, Euros 49 million to Other intangible assets and Euros 1 million to Computer software (Note 32). In 2022, Euros 9 million (Euros 7 million for goodwill and Euros 2 million for other intangible assets) were recognised in business combinations (Note 32).

Renewable asset additions totalling Euros 119 million were also recorded in Other intangible assets (Note 2.4.1.d.).

“Concessions IFRIC 12” includes concessions regarded as intangible assets under IFRIC 12 “Service concession agreements” (Note 33).

The heading “Other concessions and similar” includes principally:

- Concessions with indefinite useful lives arising from business combinations are as follows:

	<b>31.12.2023</b>	31.12.2022
Electricity distribution Spain	684	684
Gas distribution Chile	615	657

The heading “Other intangible assets” mainly includes:

- Licences for renewable generation farms totalling Euros 288 million at 31 December 2023 (Euros 183 million at 31 December 2022). This amount includes Euros 12 million for Hamel Renewables in the USA (Euros 42 million at 31 December 2022), Euros 18 million for Guimaranias in Brazil (Euros 18 million at 31 December 2022) and Euros 12 million for Bundaberg and Glenellen in Australia; the remaining amount relates to licences for Renewable Generation in Spain.
- Customer acquisition costs recognised as assets under IFRS 15 amounting to Euros 169 million at 31 December 2023 (Euros 147 million at 31 December 2022).
- The value of gas supply contracts and other contractual rights acquired as a result of business combinations in Chile for an amount of Euros 54 million at 31 December 2023 (Euros 69 million at 31 December 2022) and Naturgy Aprovevisionamientos, S.A. relating to the Oman contract, for an amount of Euros 33 million (Euros 49 million at 31 December 2022) and contractual rights acquired from ASR Wind’s business combination amounting to 17 million euros (Note 32). In addition, this heading includes the amount of Euros 32 million representing the generation of value from the ASR Wind hybridisation projects also mentioned in Note 32.

Movements in and the composition of goodwill by CGU or aggregated CGUs in 2023 and 2022 are set out below:

	<b>01.01.2023</b>	<b>Currency translation differences</b>	<b>Impairment losses</b>	<b>Business Combination</b>	<b>31.12.2023</b>
Networks	1,303	(6)	—	—	1,297
Gas Mexico	21	2	—	—	23
Gas Brazil	13	1	—	—	14
Gas Chile	59	(4)	—	—	55
Electricity Spain	1,070	—	—	—	1,070
Electricity Panama	140	(5)	—	—	135
Markets	1,695	(15)	(175)	128	1,633
Energy Management	19	—	—	—	19
Thermal Generation	473	(14)	(168)	—	291
GPG LatAm	473	(14)	(168)	—	291
Renewable Generation	776	(1)	(7)	128	896
Spain	757	—	—	128	885
GPG LatAm	10	(1)	—	—	9
USA	9	—	(7)	—	2
Supply	427	—	—	—	427
<b>Total</b>	<b>2,998</b>	<b>(21)</b>	<b>(175)</b>	<b>128</b>	<b>2,930</b>

	01.01.2022	Currency translation differences	Impairment losses	Business Combination	31.12.2022
<b>Networks</b>	1,289	14	—	—	1,303
Gas Mexico	19	2	—	—	21
Gas Brazil	12	1	—	—	13
Gas Chile	56	3	—	—	59
Electricity Spain	1,070	—	—	—	1,070
Electricity Panama	132	8	—	—	140
<b>Markets</b>	1,661	31	(4)	7	1,695
Energy Management	19	—	—	—	19
Thermal Generation	444	29	—	—	473
GPG LatAm	444	29	—	—	473
Renewable Generation	771	2	(4)	7	776
Spain	750	—	—	7	757
GPG LatAm	12	1	(3)	—	10
USA	9	1	(1)	—	9
Supply	427	—	—	—	427
<b>Total</b>	<b>2,950</b>	<b>45</b>	<b>(4)</b>	<b>7</b>	<b>2,998</b>

At 31 December 2023, Naturgy records investment commitments totalling Euros 22 million (Euros 19 million at 31 December 2022) relating basically to the development of the gas distribution network with concessions regarded as intangible assets under IFRIC 12.

The intangible assets include, at 31 December 2023, fully amortised assets still in use totalling Euros 632 million (Euros 595 million at 31 December 2022).

## Note 6. Property, plant and equipment

The movements in the accounts in 2023 and 2022 under property, plant and equipment and their respective accumulated depreciation and provisions have been as follows:

	Land and buildings	Gas installations	Electricity generation plants	Plant for electricity transmission and distribution	Other Property, plant and equipment	PPE under construction	Total
Gross cost	440	11,274	14,566	7,668	450	1,047	<b>35,445</b>
Accumulated depreciation and impairment losses	(159)	(6,703)	(9,090)	(2,620)	(286)	—	<b>(18,858)</b>
<b>Carrying amount at 31.12.2021</b>	<b>281</b>	<b>4,571</b>	<b>5,476</b>	<b>5,048</b>	<b>164</b>	<b>1,047</b>	<b>16,587</b>
Investment (Note 3)	14	149	103	180	29	1,099	<b>1,574</b>
Divestment	(1)	(8)	(2)	(1)	(1)	(30)	<b>(43)</b>
Depreciation charge (Note 28)	(16)	(354)	(344)	(268)	(13)	—	<b>(995)</b>
Impairment losses (Note 4 & 28)	—	(112)	(8)	—	—	—	<b>(120)</b>
Currency translation differences(1)	4	120	100	54	5	(1)	<b>282</b>
Business combinations (Note 32) and assets acquisitions (Note 2.4.1.d.)	—	8	21	—	—	6	<b>35</b>
Reclassifications and other (2)	—	23	233	207	—	(404)	<b>59</b>
<b>Carrying amount at 31.12.2022</b>	<b>282</b>	<b>4,397</b>	<b>5,579</b>	<b>5,220</b>	<b>184</b>	<b>1,717</b>	<b>17,379</b>
Gross cost	457	11,762	15,125	8,241	422	1,717	<b>37,724</b>
Accumulated depreciation and impairment losses	(175)	(7,365)	(9,546)	(3,021)	(238)	—	<b>(20,345)</b>
<b>Carrying amount at 31.12.2022</b>	<b>282</b>	<b>4,397</b>	<b>5,579</b>	<b>5,220</b>	<b>184</b>	<b>1,717</b>	<b>17,379</b>
Investment (Note 3)	14	155	98	149	32	1,361	<b>1,809</b>
Divestment	(19)	—	—	—	—	(4)	<b>(23)</b>
Depreciation charge (Note 28)	(15)	(351)	(384)	(269)	(20)	—	<b>(1,039)</b>
Impairment losses (Note 4 & 28)	—	—	(69)	—	(10)	—	<b>(79)</b>
Currency translation differences (1)	(2)	9	(26)	(36)	7	(41)	<b>(89)</b>
Business combinations (Note 32) and assets acquisitions (Note 2.4.1.d.)	—	—	647	—	3	32	<b>682</b>
Reclassifications and other (2)	3	14	508	325	(18)	(806)	<b>26</b>
<b>Carrying amount at 31.12.2023</b>	<b>263</b>	<b>4,224</b>	<b>6,353</b>	<b>5,389</b>	<b>178</b>	<b>2,259</b>	<b>18,666</b>
Gross cost	447	11,778	16,604	8,655	477	2,259	<b>40,220</b>
Accumulated depreciation and impairment losses	(184)	(7,554)	(10,251)	(3,266)	(299)	—	<b>(21,554)</b>
<b>Carrying amount at 31.12.2023</b>	<b>263</b>	<b>4,224</b>	<b>6,353</b>	<b>5,389</b>	<b>178</b>	<b>2,259</b>	<b>18,666</b>

(1) Includes the effect of inflation in Argentina (Note 2.4.2.).

(2) Mainly includes:

- transfer to operation of fixed assets under construction.
- asset for plant decommissioning costs (Note 16).

Note 3 include a breakdown of investments in property, plant and equipment by segment.

As explained in Note 4, as a result of the impairment tests performed in 2023 an impairment of Euros 20 million has been recognised for the assets of two wind farms under development in the Renewable Generation Spain business (Picato and Las Jaras), an impairment of Euros 24 million for various projects acquired in Renewable Generation USA, an impairment of Euros 25 million for Cabo Leones (Renewable Generation Chile) and an impairment of Euros 10 million for energy solution assets belonging to the Gas Mexico line of business. In 2022, impairment losses of Euros 112 million were recognised on property, plant and equipment relating to the liquefied petroleum gas (LPG) distribution assets in the Gas Networks Spain business and an impairment of Euros 8 million on the Renewable Generation Chile assets.

In 2023, Euros 652 million (Euros 647 million for electricity generation facilities, Euros 3 million for Other fixed assets and Euros 2 million for Fixed assets under construction) was recorded with respect to additions due to business combinations related to the acquisition of ASR Wind (Note 32). Additions were also recorded for asset acquisitions amounting to Euros 30 million under Fixed assets under construction (Note 2.4.1.d.). In 2022, additions of Euros 35 million (Euros 8 million for gas facilities, Euros 21 million for power generation facilities and Euros 6 million for Fixed assets under construction) (Note 32) were recognised in connection with business combinations (Note 32).



Set out below is a breakdown of fixed assets in course of construction by business area:

	31.12.2023	31.12.2022
<b>Networks</b>	<b>326</b>	<b>281</b>
Gas Spain	18	17
Gas Mexico	12	13
Gas Chile	68	67
Gas Argentina	1	—
Electricity Spain	188	139
Electricity Panama	39	45
<b>Markets</b>	<b>1,933</b>	<b>1,436</b>
Energy Management	23	23
Thermal Generation Spain	171	124
Thermal Generation LatAm	38	84
Renewable Generation	1,697	1,201
Renewable Generation Spain	504	402
Rest of Europe	1	0
GPG LatAm	22	31
GPG Australia	687	563
USA	483	205
Renewable Gases	1	—
Supply	—	2
Energy Markets Corporation	3	2
<b>Total</b>	<b>2,259</b>	<b>1,717</b>

The increase in Fixed assets under construction in Renewable Generation is due to increased investment in solar farms in Spain and the United States, as well as wind and solar farms in Australia, which are under development.

At 31 December 2023 and 2022, Naturgy had no significant real estate investments.

At 31 December 2023, property, plant and equipment include fully-depreciated assets still in use totalling Euros 3,011 million (Euros 2,855 million at 31 December 2022).

It is Naturgy's policy to take out insurance where deemed necessary to cover risks that could affect its fixed assets.

At 31 December 2023, Naturgy records investment commitments totalling Euros 762 million (Euros 950 million at 31 December 2022) relating basically to the construction of new Renewable Generation facilities and the development of the gas and electricity distribution network.

The financial expenses capitalised in 2023 in fixed assets projects during their construction total Euros 71 million (Euros 22 million in 2022). The financial expenses capitalised in 2023 account for 8.8% of total financial costs on net borrowings (2.6% in 2022). The average capitalisation rate for 2023 and 2022 was 3.4% and 2.5%, respectively.

## Note 7. Right-of-use assets

Movements 2023 and 2022 in right-of-use asset accounts and the related accumulated depreciation and provisions are as follows:

	Land and buildings	Gas tankers	Vehicles	Other Property, plant and equipment	Total
Gross cost	404	1,358	18	59	<b>1,839</b>
Accumulated depreciation	(78)	(518)	(12)	(2)	<b>(610)</b>
<b>Carrying amount at 31.12.2021</b>	<b>326</b>	<b>840</b>	<b>6</b>	<b>57</b>	<b>1,229</b>
Additions	46	—	5	—	<b>51</b>
Divestments	(11)	—	(1)	—	<b>(12)</b>
Depreciation charge (Note 28)	(32)	(79)	(4)	(2)	<b>(117)</b>
Currency translation differences	4	—	—	3	<b>7</b>
Business combinations (Note 32)	2	—	—	—	<b>2</b>
Reclassifications and other	2	—	—	—	<b>2</b>
<b>Carrying amount at 31.12.2022</b>	<b>337</b>	<b>761</b>	<b>6</b>	<b>58</b>	<b>1,162</b>
Gross cost	439	1,191	20	62	<b>1,712</b>
Accumulated depreciation	(102)	(430)	(14)	(4)	<b>(550)</b>
<b>Carrying amount at 31.12.2022</b>	<b>337</b>	<b>761</b>	<b>6</b>	<b>58</b>	<b>1,162</b>
Additions	128	—	10	—	<b>138</b>
Divestments	(2)	—	—	(7)	<b>(9)</b>
Depreciation charge (Note 28)	(43)	(65)	(5)	(2)	<b>(115)</b>
Currency translation differences	(1)	—	—	(1)	<b>(2)</b>
Business combinations (Note 32)	18	—	—	—	<b>18</b>
Reclassifications and other	2	—	(1)	(4)	<b>(3)</b>
<b>Carrying amount at 31.12.2023</b>	<b>439</b>	<b>696</b>	<b>10</b>	<b>44</b>	<b>1,189</b>
Gross cost	585	1,191	25	50	<b>1,851</b>
Accumulated depreciation	(146)	(495)	(15)	(6)	<b>(662)</b>
<b>Carrying amount at 31.12.2023</b>	<b>439</b>	<b>696</b>	<b>10</b>	<b>44</b>	<b>1,189</b>

Naturgy has concluded lease agreements in which it is the lessee for the following category of underlying assets:

- Land for energy use for combined cycle power plants, wind farms, photovoltaic farms, switching centres, and propane (LPG) and liquefied natural gas (LNG) installations.
- Structures (mainly offices, premises, warehouses and parking spaces)
- Gas carriers under long- and medium-term charter.
- Vehicles.

In 2023, Euros 18 million in assets were recognised as a result of business combinations from the acquisition of ASR Wind (Note 32).

At 31 December 2023, "Gas tankers" included seven vessels under long-term finance lease arrangements (Note 17).

## Note 8. Investments in companies

### Associates and joint ventures

Set out below is a breakdown of investments accounted for using the equity method:

	31.12.2023	31.12.2022
Associates	54	68
Joint ventures	558	588
<b>Total</b>	<b>612</b>	<b>656</b>

Appendix I lists all the associates and joint ventures in which Naturgy holds an interest, stating their activity and the percentage of the shareholding and equity interest.

The most significant investments relate to EcoEléctrica L.P. and the interest in Medgaz through Medina.

Movements during 2023 and 2022 in equity-consolidated investments, including a breakdown of the most significant shareholdings, are as follows:

	EcoEléctrica, L.P.	Medina/ Medgaz	Other joint ventures	Total joint ventures	Associates	Total
<b>Value of shareholding 01.01.2022</b>	<b>263</b>	<b>192</b>	<b>115</b>	<b>570</b>	<b>60</b>	<b>630</b>
Investment	—	—	8	8	—	8
Divestment	—	—	(4)	(4)	—	(4)
Shares of profits/(losses)	51	19	50	120	8	128
Dividends received	(60)	(11)	(33)	(104)	—	(104)
Business combinations (Note 32)	—	—	(20)	(20)	—	(20)
Currency translation differences	16	—	1	17	—	17
Other comprehensive income	—	—	—	—	—	—
Reclassifications and other	—	—	1	1	—	1
<b>Value of shareholding 31.12.2022</b>	<b>270</b>	<b>200</b>	<b>118</b>	<b>588</b>	<b>68</b>	<b>656</b>
Investment	—	—	2	2	—	2
Divestment	—	—	—	—	—	—
Shares of profits/(losses)	59	16	29	104	(14)	90
Dividends received	(60)	(24)	(41)	(125)	—	(125)
Business combinations (Note 32)	—	—	—	—	—	—
Currency translation differences	(9)	—	(1)	(10)	—	(10)
Other comprehensive income	—	(1)	—	(1)	—	(1)
Reclassifications and other	—	—	—	—	—	—
<b>Value of shareholding 31.12.2023</b>	<b>260</b>	<b>191</b>	<b>107</b>	<b>558</b>	<b>54</b>	<b>612</b>

In 2023 there were no significant changes in Investments accounted for using the equity method. The changes in this heading relate basically to variations in these companies' equity.

In 2022, the main change in Investments accounted for using the equity method related to the agreement reached with the Acciona group to separate the wind farms that they managed jointly through Desarrollo de Energías Renovables de Navarra, S.A., P.E. Cinseiro, S.L. and Explotaciones Eólicas Sierra de Utrera, S.L. (Note 32).

Under the agreement, Naturgy Renovables, S.L.U. acquired from the Acciona group an additional 50% of the companies Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. as a result of which it attained a 100% controlling interest and consolidated them as subsidiaries. They therefore ceased to be recorded using the equity method.

There follows a breakdown of assets, liabilities, revenue and results of Naturgy's main interests in joint ventures (by shareholding percentage):

	31.12.2023		31.12.2022	
	EcoEléctrica, L.P. (50 %)	Medina/Medgaz (50 %)	EcoEléctrica, L.P. (50 %)	Medina/Medgaz (50 %)
Non-current assets	230	431	238	459
Current assets	39	30	41	30
Cash and cash equivalents	2	18	2	12
Non-current liabilities	(6)	(223)	(7)	(266)
Non-current financial liabilities	—	(159)	—	(199)
Current liabilities	(3)	(47)	(2)	(23)
Current financial liabilities	—	(41)	—	(14)
<b>Net assets</b>	<b>260</b>	<b>191</b>	<b>270</b>	<b>200</b>
<b>Net borrowings (1)</b>	<b>(2)</b>	<b>182</b>	<b>(2)</b>	<b>201</b>

(1) Net borrowings: Non-current financial liabilities+Current financial liabilities-Cash and cash equivalents.

	2023		2022	
	EcoEléctrica, L.P. (50 %)	Medina/ Medgaz (50 %)	EcoEléctrica, L.P. (50 %)	Medina/ Medgaz (50 %)
Net sales	93	73	83	72
Raw materials and consumables	—	—	—	—
Personnel expenses	(6)	(1)	(5)	(1)
Other operating income/(expenses)	(19)	(6)	(19)	(5)
<b>Gross operating results</b>	<b>68</b>	<b>66</b>	<b>59</b>	<b>66</b>
Depreciation, amortisation and impairment losses	(7)	(30)	(7)	(28)
Impairment due to credit losses	—	—	—	—
<b>Operating profit</b>	<b>61</b>	<b>36</b>	<b>52</b>	<b>38</b>
Net financial income/(expense)	1	(13)	1	(11)
Results of equity-consolidated companies	—	—	—	—
<b>Profit/(loss) before tax</b>	<b>62</b>	<b>23</b>	<b>53</b>	<b>27</b>
Corporate income tax	(3)	(7)	(2)	(8)
Attributed to non-controlling interests	—	—	—	—
<b>Profit/(loss) attributed for the year from continuing operations</b>	<b>59</b>	<b>16</b>	<b>51</b>	<b>19</b>
<b>Share of profits</b>	<b>59</b>	<b>16</b>	<b>51</b>	<b>19</b>

There are no contingent liabilities affecting interests in joint ventures.

At 31 December 2023 and 2022 there are no commitments to acquire interests in joint ventures. Contractual sales commitments as at 31 December 2023 and 2022 are as follows:

Sale	31.12.2023	31.12.2022
Energy transmission (1)	546	618
Provision of capacity assignment services (2)	847	932
<b>Total contractual obligations</b>	<b>1,393</b>	<b>1,550</b>

(1) Includes Medgaz's long-term gas transport commitments.

(2) Reflects service provision commitments under power generation capacity assignment contracts from EcoEléctrica L.P. to Puerto Rico Electricity Power Authority.

## Joint operations

Naturgy participates in joint operations that meet the conditions indicated in Note 2.4.1.b and which are described in Appendix I, section 3. The main interests in joint operations at 31 December 2023 and 2022 are as follows:

	2023	2022
Comunidad de Bienes Central Nuclear de Almaraz	11.3%	11.3%
Comunidad de Bienes Central Nuclear de Trillo	34.5%	34.5%
Comunidad de Bienes Central Térmica de Anllares	66.7%	66.7%

The contribution from the joint operations to Naturgy's assets, liabilities, revenue and results is analysed below:

	<b>31.12.2023</b>	31.12.2022
Non-current assets	82	88
Current assets	77	78
Cash and cash equivalents	—	—
Non-current liabilities	(108)	(108)
Non-current financial liabilities	—	—
Current liabilities	(38)	(41)
Current financial liabilities	(11)	(11)
<b>Net assets</b>	<b>13</b>	<b>17</b>
<b>Net borrowings (1)</b>	<b>11</b>	<b>11</b>

(1) Net borrowings: Non-current financial liabilities+Current financial liabilities-Cash and cash equivalents.

	<b>2023</b>	2022
Net sales (1)	252	494
Operating expenses	(155)	(134)
<b>Gross operating results</b>	<b>97</b>	<b>360</b>
Depreciation, amortisation and impairment losses	(21)	(19)
<b>Operating profit</b>	<b>76</b>	<b>341</b>
Net financial income/(expense)	—	7
<b>Profit/(loss) before tax</b>	<b>76</b>	<b>348</b>
Corporate income tax	(19)	(87)
<b>Profit/(loss) attributed for the year from continuing operations</b>	<b>57</b>	<b>261</b>

(1) In order to reflect the contribution of the activity as a whole, the Net sales figure also includes income from nuclear energy sales pertaining to the joint venturers.

## Note 9. Financial assets

Current and non-current financial assets classified by nature and category break down as follows at 31 December 2023 and 2022:

<b>31.12.2023</b>	<b>Fair value through other comprehensive income</b>	<b>Fair value through income statement</b>	<b>Amortised cost</b>	<b>Total</b>
Equity instruments	7	—	—	7
Derivatives (Note 18)	82	11	—	93
Other financial assets	—	—	384	384
<b>Non-current financial assets</b>	<b>89</b>	<b>11</b>	<b>384</b>	<b>484</b>
Derivatives (Note 18)	86	52	—	138
Other financial assets	—	—	297	297
<b>Current financial assets</b>	<b>86</b>	<b>52</b>	<b>297</b>	<b>435</b>
<b>Total</b>	<b>175</b>	<b>63</b>	<b>681</b>	<b>919</b>

<b>31.12.2022</b>	<b>Fair value through other comprehensive income</b>	<b>Fair value through income statement</b>	<b>Amortised cost</b>	<b>Total</b>
Equity instruments	8	—	—	8
Derivatives (Note 18)	152	37	—	189
Other financial assets	—	—	296	296
<b>Non-current financial assets</b>	<b>160</b>	<b>37</b>	<b>296</b>	<b>493</b>
Derivatives (Note 18)	62	32	—	94
Other financial assets	—	—	314	314
<b>Current financial assets</b>	<b>62</b>	<b>32</b>	<b>314</b>	<b>408</b>
<b>Total</b>	<b>222</b>	<b>69</b>	<b>610</b>	<b>901</b>

Financial assets recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial assets	31.12.2023				31.12.2022			
	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total
Fair value through other comprehensive income	—	168	7	175	—	214	8	222
Fair value through income statement	—	63	—	63	—	69	—	69
<b>Total</b>	<b>—</b>	<b>231</b>	<b>7</b>	<b>238</b>	<b>—</b>	<b>283</b>	<b>8</b>	<b>291</b>

The movement in 2023 and 2022 in financial assets carried at fair value based on the method applied to calculate their fair value is as follows:

	2023				2022			
	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total
At 1 January	—	283	8	291	—	53	14	67
Changes recognised directly in equity	—	(42)	—	(42)	—	201	—	201
Changes recognised in income statement (1)	—	(5)	(1)	(6)	—	32	(6)	26
Currency translation differences	—	(5)	—	(5)	—	(3)	—	(3)
<b>At 31 December</b>	<b>—</b>	<b>231</b>	<b>7</b>	<b>238</b>	<b>—</b>	<b>283</b>	<b>8</b>	<b>291</b>

(1) In 2023 and 2022, this heading related entirely to Derivatives.

## Fair value through other comprehensive income

- Equity instruments:

At 31 December 2023 this heading includes the 85.4% holding in Electrificadora del Caribe, S.A. ESP (Electricaribe), a company that was taken over on 14 November 2016 by the Superintendence for Residential Public Services of the Republic of Colombia, which on 14 March 2017 announced that the company was to be liquidated. Following arbitration before the Tribunal of the United Nations Commission on International Trade Law, in March 2021 an arbitration award was issued rejecting the claims of both Naturgy and the Colombian State.

Subsequently, on 24 March 2021 the Superintendence for Residential Public Services of the Republic of Colombia ordered the commencement of the company's liquidation process. As a result of this, plus the completion of the claim against the insurers, the 85.4% interest in Electricaribe was valued at Euros 0 million at 31 December 2023 and 2022. Also, once the liquidation process began, a deferred tax asset of Euros 105 million was recognised for the tax loss that will be deductible once liquidation is completed.

- Derivatives: this relates to the valuation of hedging derivatives linked to financial liabilities amounting to Euros 168 million (Note 18), of which Euros 86 million is classified as current assets (Euros 214 million at 31 December 2022, of which Euros 62 million related to current assets).

## Fair value through profit or loss

- Derivatives: Under the agreement concluded in March 2021 in relation to Unión Fenosa Gas, this company is entitled to a contingent payment for the sale of a gas supply contract with a fair value at the completion date estimated at Euros 19 million. The price adjustment will be charged in January 2024 based on the level of the average TTF price until settlement, subject to a maximum value. The fair value recorded under current financial assets for this item at 31 December 2023 amounts to Euros 37 million (Euros 37 million as at 31 December 2022 classified in Non-current assets).

Also included are derivatives linked to the financial liabilities of Ibereólica Cabo Leones II and GPG Solar Chile 2017 SPA amounting to Euros 26 million at 31 December 2023 (Euros 32 million at 31 December 2022), Euros 11 million classified under non-current assets (zero at 31 December 2022) (Note 18). At the date of preparation of these consolidated annual accounts, as indicated in Note 17, certain obligations under the project financing agreement of GPG Solar Chile 2017, S.p.A. have been breached and therefore the derivatives associated with said debt have been classified under current derivatives.

In 2023, the derivatives associated with both projects generated hedging inefficiencies, the impact of which, amounting to Euros 5 million, was recognised under Variations in fair value of financial instruments in the income statement at 31 December 2023.

## Amortised cost

The breakdown at 31 December 2023 and 2022 is as follows:

	<b>31.12.2023</b>	31.12.2022
Commercial loans	26	15
Deposits and guarantees deposits	106	107
Other loans	252	174
<b>Other non-current financial assets</b>	<b>384</b>	<b>296</b>
Commercial loans	10	8
Financing Electricity system	—	6
Financing Gas system	176	73
Dividend receivable	—	3
Deposits and guarantees deposits	36	137
Other loans	75	87
<b>Other current financial assets</b>	<b>297</b>	<b>314</b>
<b>Total</b>	<b>681</b>	<b>610</b>

The breakdown by maturities at 31 December 2023 and 2022 is as follows:

<b>Maturities</b>	<b>31.12.2023</b>	31.12.2022
No later than 1 year	297	314
Between 1 year and 5 years	62	42
More than 5 years	322	254
<b>Total</b>	<b>681</b>	<b>610</b>

The fair values and carrying amounts of these assets do not differ significantly.

- The "Financing Gas system" heading includes temporary mismatches between gas system revenues and costs amounting to Euros 176 million (Euros 73 million at 31 December 2022) which, pursuant to Order TED/1022/2021 of 27 September, must be recovered in the following gas year. Specifically, TED Order 1022/2021 stipulates that the annual mismatch will be recovered through the first available settlement of the following gas year. The amount of this financing has been entirely recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements within one year.
- The heading "Financing Electricity system" includes temporary mismatches between electricity system revenues and costs funded by Naturgy pursuant to Law 24/2013 of 26 October. This amount will be recovered through the electricity system settlements. The amount pending receipt following the settlements for the year generates a recovery right in the following five years, plus interest at a market rate. The amount of this financing has been entirely recognised as a short-term item on the understanding that it is a temporary mismatch that will be recovered through system settlements within one year. At 31 December 2023 there was no outstanding balance for these temporary mismatches (Euros 6 million at 31 December 2022).

- “Commercial loans” mainly includes loans for the provision of energy management services which accrued interest at an average rate of 3.92% at 31 December 2023 and 2022.
- The heading “Deposits and guarantee deposits” basically includes amounts deposited with the competent Public Administrations, under applicable legislation, in respect of guarantees and deposits received from customers when contracts are concluded to secure the supply of electricity and natural gas (Note 19), as well as deposits related to derivative positions when trading in organised markets.

“Other loans” includes, basically:

- The value of generation concessions in Costa Rica that are deemed to be credits, pursuant to IFRIC 12 “Service concession arrangements” (Note 2.4.3.b and Note 33), in the amount of Euros 97 million (Euros 117 million at 31 December 2022), of which Euros 10 million is classified in current assets (Euros 16 million in 2022). These credits are classified under this heading as they represent an unconditional right to receive cash in fixed or determinable amounts. On 30 June 2023, the La Joya electricity generation concession expired (Note 33).
- receivables of Euros 39 million, classified as current assets, relating to deferred and guaranteed receipts under the agreement reached in March 2021 with the Egyptian government in relation to its disputes with Unión Fenosa Gas, S.A., merged with Naturgy Aprovevisionamientos, S.A., with accounting effects from 1 January 2022 (Euros 41 million at 31 December 2022, classified as current assets).
- receivables of Euros 85 million relating to the accrued electricity distribution remuneration pending collection under system settlements, which will be collected through these settlements in a term greater than 12 months from 2024 onwards (Euros 57 million at 31 December 2022), classified as non-current assets.

## Note 10. Other non-current assets and trade and other receivables

The headings “Other non-current assets” and “Trade and other receivables” at 31 December 2023 and 2022, classified by nature and category, are as follows:

31.12.2023	Fair value through other comprehensive income	Fair value through income statement	Amortised cost	Total
Derivatives (Note 18)	123	—	—	123
Other assets	—	—	302	302
<b>Other non-current assets</b>	<b>123</b>	<b>—</b>	<b>302</b>	<b>425</b>
Derivatives (Note 18)	11	4	—	15
Other assets	—	—	3,239	3,239
<b>Trade and other receivables</b>	<b>11</b>	<b>4</b>	<b>3,239</b>	<b>3,254</b>
<b>Total</b>	<b>134</b>	<b>4</b>	<b>3,541</b>	<b>3,679</b>

31.12.2022	Fair value through other comprehensive income	Fair value through income statement	Amortised cost	Total
Derivatives (Note 18)	180	—	—	180
Other assets	—	—	316	316
<b>Other non-current assets</b>	<b>180</b>	<b>—</b>	<b>316</b>	<b>496</b>
Derivatives (Note 18)	174	36	—	210
Other assets	—	—	5,591	5,591
<b>Trade and other receivables</b>	<b>174</b>	<b>36</b>	<b>5,591</b>	<b>5,801</b>
<b>Total</b>	<b>354</b>	<b>36</b>	<b>5,907</b>	<b>6,297</b>



Financial assets recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial assets	31.12.2023				31.12.2022			
	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total
Fair value through other comprehensive income	—	134	—	134	23	331	—	354
Fair value through income statement	1	3	—	4	16	20	—	36
<b>Total</b>	<b>1</b>	<b>137</b>	<b>—</b>	<b>138</b>	<b>39</b>	<b>351</b>	<b>—</b>	<b>390</b>

### Fair value through other comprehensive income

Derivatives at fair value through other comprehensive income under financial assets include operational gas price hedging derivatives amounting to Euros 85 million (Euros 310 million at 31 December 2022), of which Euros 76 million are classified as non-current (Euros 159 million at 31 December 2022) (Note 18).

This heading also includes long-term electricity sale contracts for electricity production at some of the Australian facilities for an amount of Euros 49 million (Euros 47 million classified under non-current). At 31 December 2022, the value of the contracts linked to those facilities was negative and, consequently, those amounts were recognised as liabilities under "Other non-current liabilities" (Note 19) and "Trade payables" (Note 20).

At 31 December 2022 this heading also included the balance associated with the contract for the sale of electricity from a photovoltaic facility in the United States amounting to Euros 20 million and operating derivatives for electricity price hedging in Spain amounting to Euros 24 million.

### Amortised cost

	31.12.2023	31.12.2022
Receivable, revenue from capacity services (Contract Asset)	171	190
Other receivables	131	126
<b>Other non-current assets</b>	<b>302</b>	<b>316</b>
Trade receivables	3,696	6,006
Receivables with related companies (Note 34)	2	3
Provision for impairment due to debtor credit losses	(910)	(857)
Trade receivables for sales and services	2,788	5,152
Public Administrations	103	97
Prepayments	103	109
Sundry receivables	206	143
Other receivables	412	349
Current income tax asset	39	90
<b>Trade and other receivables</b>	<b>3,239</b>	<b>5,591</b>
<b>Other non-current assets and trade and other receivables</b>	<b>3,541</b>	<b>5,907</b>

The fair values and carrying amounts of these assets do not differ significantly.

The heading "Receivable, revenue from capacity services" relates to revenue yet to be billed in respect of the levelling of the term of the service contracts for electricity generation capacity assignment with the Mexican Federal Electricity Commission.

In May 2021, the Brazilian Federal Supreme Court issued a ruling in favour of CEG and CEG Rio, acknowledging the credit right for the amounts incorrectly paid due to the inclusion of the "Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação" (ICMS) in the calculation base of the "Programas de Integração Social" (PIS) and the "Contribuição para Financiamento da Seguridade Social" (COFINS).

As a result, at 31 December 2023 Naturgy recorded a non-current asset of Euros 98 million (Euros 101 million at 31 December 2022) for the exclusion of the ICMS from the tax base, credited to an account payable recorded under "Other non-current liabilities" in the consolidated balance sheet (Note 19), on the understanding that the tax credit will be passed on to end customers through tariff reviews, although it will not be disbursed in the short term.

In addition, at 31 December 2023 the non-current balance of "Other receivables" includes Euros 23 million associated with negative market price variances at Renewable Generation facilities (Note 2.4.25.j).

In general, the outstanding invoices do not accrue interest as they fall due in an average period of 18 days.

At 31 December 2023 the accumulated balances for electricity and gas sales yet to be invoiced are included under "Trade receivables" and amount to Euros 1,027 million (Euros 1,634 million at 31 December 2022). At 31 December 2022, the forecasts of sales yet to be invoiced included an amount relating to the increase in the cost of raw materials yet to be passed on in the natural gas tariff of last resort, totalling Euros 277 million, as a result of the difference between the cost of raw materials calculated using the current methodology and that resulting from the application of Royal Decree-Law 17/2021 of 14 September. At 31 December 2023, although the adjustment to the increase in the gas tariff of last resort resulting from the settlement mechanism established by Royal Decree-Law 18/2022 of 18 October has been maintained, no amount yet to be invoiced to customers for this item has been recognised under this heading as these amounts will be recovered through CNMC settlements. At 31 December 2023 the outstanding balance of Euros 15 million is recorded under "Sundry receivables".

At 31 December 2023 Naturgy recorded unmatured balances totalling Euros 692 million (31 December 2022: Euros 870 million) which have been included in non-recourse factoring operations. These amounts have therefore been derecognised from the consolidated balance sheet at 31 December 2023 and 2022.

The movement in the impairment provision for debtor credit losses is as follows:

	<b>2023</b>	2022
<b>At 1 January</b>	<b>(857)</b>	<b>(800)</b>
Provision for impairment due to credit losses	(208)	(228)
Write offs	145	184
Currency translation differences	10	(13)
Transfers and other	—	—
<b>At 31 December</b>	<b>(910)</b>	<b>(857)</b>

## Note 11. Non-current assets and disposal groups of assets held for sale and discontinued operations

At 31 December 2023 and 31 December 2022, the Group records no non-current assets held for sale or any related liabilities.

At 31 December 2022, the heading "Profit for the year from discontinued operations, net of taxes" included Euros 23 million for the re-estimate (net of tax) of the indemnities agreed with the buyer in the sale of the "Chile electricity distribution" business, which was completed in July 2021.

In 2020, coal-fired generation in Spain was discontinued. At 31 December 2023, progress continued to be made on decommissioning, which is expected to be completed for all plants by the end of the first quarter of 2025 (Note 25).

## Note 12. Inventories

The breakdown of Inventories is as follows:

	<b>31.12.2023</b>	31.12.2022
Natural gas and liquefied gas	739	1,104
Coal and fuel oil	5	4
Nuclear fuel	52	53
CO <sub>2</sub> emission allowances	415	598
Raw materials and other inventories	43	69
<b>Total</b>	<b>1,254</b>	<b>1,828</b>

At 31 December 2023 Naturgy has commitments for the acquisition of inventories amounting to Euros 55 million (Euros 40 million at 31 December 2022) corresponding to nuclear fuel.

Gas inventories basically include inventories in underground storage facilities, in transit by sea, in plants and in pipelines, and also include the valuation of minimum security stocks access to which is restricted by law, amounting to Euros 328 million at 31 December 2023 (31 December 2022: Euros 380 million).

Accumulated inventory impairment at 31 December 2023 amounts to Euros 19 million (Euros 15 million at 31 December 2022).

## Note 13. Cash and cash equivalents

Cash and cash equivalents breaks down as follows:

	<b>31.12.2023</b>	<b>31.12.2022</b>
Cash at banks and in hand	2,644	2,644
Short term investments (Spain and rest of Europe)	766	1,022
Short term investments (International)	276	319
<b>Total</b>	<b>3,686</b>	<b>3,985</b>

The investments in cash equivalents have contractual maturities of less than three months and a weighted effective interest rate of 3.06% at 31 December 2023 (0.91% at 31 December 2022). They include a balance of Euros 250 million relating to three short-term deposits arranged at the end of October 2023 with a term of less than 3 months, linked to CO<sub>2</sub> emission rights (Euros 250 million at 31 December 2022 in a single deposit arranged at the end of December 2022) consisting of a spot purchase transaction and a simultaneous forward sale with the same counterparty, the same risk and a guaranteed return. These deposits are easily convertible into specified amounts of cash, can be cancelled at any time without penalty and are subject to an insignificant risk of changes in value.

At 31 December 2023 and 2022 there are no investments in sovereign debt, nor are there any significant restrictions on cash withdrawals.

All investments in "Cash and cash equivalents" are valued at amortised cost.

## Note 14. Equity

The main equity items are analysed below:

### Share capital and share premium

The variations in 2023 and 2022 in the number of shares and share capital and share premium accounts have been as follows:

	Number of shares	Share capital	Share premium	Total
<b>01.01.2022</b>	<b>969,613,801</b>	<b>970</b>	<b>3,808</b>	<b>4,778</b>
Variation	—	—	—	—
<b>31.12.2022</b>	<b>969,613,801</b>	<b>970</b>	<b>3,808</b>	<b>4,778</b>
Variation	—	—	—	—
<b>31.12.2023</b>	<b>969,613,801</b>	<b>970</b>	<b>3,808</b>	<b>4,778</b>

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

There were no movements in the number of shares or in the accounts "Share capital" and "Share premium" during 2023 or 2022.

The Company's Board of Directors, for a maximum term of five years as from 15 March 2022, is empowered to increase share capital by a maximum of 50% of the Company's share capital at the time of the authorisation, through one or more cash payments at the time and in the amount that it deems fit, issuing ordinary, privileged or redeemable shares with or without voting rights, with or without a share premium, without requiring any further authorisation from the shareholders, with the possibility of agreeing, as appropriate, the full or partial exclusion of preferential subscription rights up to a limit of 20% of share capital at the date of this authorisation, and to alter the By-laws as required due to the capital increase or increases performed by virtue of said authorisation, with provision for an incomplete subscription, in accordance with the provisions of Article 297.1.b) of the Spanish Companies Act. Additionally, based on this authorisation, it will carry out any necessary procedures and actions before domestic and overseas securities market agencies to request the listing, continuance and/or, as the case may be, delisting of the issued shares.

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

The most representative holdings in the share capital of Naturgy Energy Group at 31 December 2023 and 31 December 2022, in accordance with the public information available or the information released by the Company itself, are as follows:

	Interest in share capital %	
	2023	2022
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	26.7	26.7
- Global Infrastructure Partners III (2)	20.6	20.6
- CVC Capital Partners SICAV-FIS, S.A. (3)	20.7	20.7
- IFM Global Infrastructure Fund (4)	14.9	14.0
- Sonatrach (5)	4.1	4.1

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

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

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

(4) Through Global InfraCo O (2), S.à.r.l.

(5) Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

All Naturgy shares are traded on the four official Spanish Stock Exchanges and the continuous market, and form part of Spain's Ibx 35 stock index.

Naturgy's share price at the end of 2023 stood at Euros 27.00 (last trading day: December 29, 2023). The last price on December 31, 2022 was 24.31 Euros.

## Reserves and retained earnings

"Reserves" includes the following reserves:

	<b>2023</b>	<b>2022</b>
Legal reserve	200	200
Statutory reserve	100	100
Capital Redemption Reserve	31	31
Other reserves and retained earnings	5,001	4,540
Voluntary reserve Naturgy Energy Group, S.A.	9,731	9,731
Other reserves and retained earnings	(4,730)	(5,191)
	<b>5,332</b>	<b>4,871</b>

### Legal reserve

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

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

### Statutory reserve

Under the articles of association of Naturgy Energy Group, S.A., 2% of net income for the year must be allocated to the statutory reserves until it reaches at least 10% of share capital.

### Capital redemption reserve

Following approval at the ordinary general meeting of shareholders held on 26 May 2020, in 2020 a capital reduction was made during the year through the redemption of treasury shares with a reduction of Euros 14 million in capital and 284 million in voluntary reserves.

In addition, pursuant to Article 335 c) of the Spanish Companies Act a restricted Capital redemption reserve was created for an amount equal to the par value of the redeemed shares. The total accumulated capital redemption reserve amounts to Euros 31 million at 31 December 2023 and 2022.

### Other reserves and retained earnings

Relates basically to voluntary reserves for retained earnings.

## Share-based payments

On 31 July 2018 the Board of Directors approved a long term variable incentive plan (LTI) involving the Executive Chairman and 25 other executives. The main characteristics of the plan were approved by the general meeting of shareholders on 5 March 2019. This incentive covered the period of the Strategic Plan 2018-2022.

On 25 November 2021, the Board of Directors of Naturgy decided, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, to extend the LTI plan 2018-2022 with a new expiration date of 31 December 2025 for current executives, in order to contribute to the achievement of the Strategic Plan 2021-2025. The entry into force of the extension of the LTI was approved by Naturgy's shareholders in general meeting on 15 March 2022.

This extension amends the LTI approved under the Strategic Plan 2018-2022, which was to expire in July 2023, and maintains its direct link to the total return earned by the Company's shareholders in the period concerned.

The LTI was arranged through the acquisition of shares in Naturgy Energy Group, S.A. by an investee company that may generate a surplus. Such surplus, if any, is the incentive to be delivered to the participants. Upon conclusion of the plan, that company will obtain a result arising from the receipt of dividends attributed to its shares, changes in the share price and other revenues and expenses, mainly of a financial nature. At that time, it will sell such shares as are required to repay all the funds received to acquire the shares and, after settling its obligations, it will distribute any surplus among its shareholders, in the form of shares.

Such surplus will only be collected if a minimum profitability threshold has been exceeded, which means a share price of Euros 19.15 at the time of expiration of the LTI, assuming that all the dividends envisaged in the Business Plan 2021-2025 are distributed.

If they leave the Company, the beneficiaries will only be entitled, in certain cases, to receive a part of the final incentive calculated in proportion to their length of service in the Company with respect to the duration of the plan.

In order to compensate for the delay in the collection of the LTI as a result of the time extension, Naturgy's Board of Directors established a compensation consisting of the payment of a cash amount to the beneficiaries who accepted the extension of the term until 2025 (see Consolidated Annual Accounts at December 31, 2022). In 2023, advances amounting to Euros 103 thousand were paid.

The fair value of the equity instruments granted was determined at the grant date using a Monte Carlo simulation valuation model based on the share price on the grant date, with the following assumptions:

Forecast share price volatility (1)	17.73 %
Plan duration (years)	5
Expected dividends	6.26 %
Risk-free interest rate	0.34 %

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

At the date of approval of the extension of the LTI, the LTI 2018-2022 and LTI 2018-2025 were measured using a valuation model based on a Monte Carlo simulation. The incremental value will be recognised for accounting purposes over the period running from the date of approval of the change, i.e. 15 March 2022, to 31 December 2025. The assumptions used in these valuations were as follows:

	ILP 2018-2022	ILP 2018-2025
Forecast share price volatility (1)	25.32 %	25.32 %
Plan duration (years)	1,38	3,80
Expected dividends	5.24 %	5.03 %
Risk-free interest rate	0.71 %	1.06 %

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

As a result of the time apportionment of the fair value estimate of the equity instruments granted over the term of the plan, an amount of Euros 5 million (Euros 7 million in 2022) has been recorded in the consolidated income statement for 2023 under Personnel expenses, credited to Reserves in the consolidated balance sheet.

The Board of Directors, at the reasoned proposal of the Appointments, Remuneration and Corporate Governance Committee, may adopt the decisions it deems necessary for the administration, interpretation, correction, development or continuity of the incentive scheme in the event of substantial variations in the circumstances of the Plan, taking into account the corporate interest of the Company and the objectives of the Plan.

It may also decide on early termination, either to achieve such continuity or in the event of any event which, in its opinion, involves a substantial change in circumstances.

## Treasury shares

Movements during 2023 and 2022 involving the treasury shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	Amount (million euro)	% Capital
<b>01.01.2022</b>	<b>8,802,821</b>	<b>204</b>	<b>0.9 %</b>
Share acquisition plan	15,000	—	— %
Delivered to employees	(122,328)	(3)	— %
<b>31.12.2022</b>	<b>8,695,493</b>	<b>201</b>	<b>0.9 %</b>
Share acquisition plan	357,094	10	— %
Delivered to employees	(172,992)	(5)	— %
<b>31.12.2023</b>	<b>8,879,595</b>	<b>206</b>	<b>0.9 %</b>

In 2023 and 2022, no gains or losses were made on transactions involving treasury shares.

On 5 March 2019, the shareholders in general meeting authorised the Board of Directors to purchase, within five years, in one or more operations, fully paid Company shares; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

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

Transactions involving the treasury shares of Naturgy Energy Group, S.A. relate to:

### 2023

- Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 treasury shares were acquired for Euros 6 million, in April 2023 a total of 172,992 shares were delivered to employees for an amount of Euros 5 million and in July 2023 147,094 treasury shares were acquired for Euros 4 million, leaving a surplus of 184,102 treasury shares which has been added to the 55,898 shares left over from the 2019-2021 Share Acquisition Plans.

### 2022

- Share acquisition plan: As mentioned in the previous paragraph, as part of the Share Acquisition Plan 2020-2023 the plan for 2021, aimed at Naturgy employees in Spain, was set in motion in December 2021. This plan was completed in January 2022 through the acquisition of 15,000 treasury shares in addition to the 127,453 shares acquired in December 2021, for an amount of Euros 0.4 million. During January 2022, a total of 122,328 shares amounting to Euros 3 million were delivered to employees. The surplus of 20,125 treasury shares was added to the 35,773 shares left over from the 2020 and 2019 Share Acquisition Plans.

At 31 December 2023 and 2022 it also includes 8,639,595 treasury shares to cover the potential delivery of shares resulting from the increase in the value of the shares relating to the long-term variable incentive plan. (See share-based payments in this note)

## Earnings per share

Earnings per share are calculated by dividing the net income attributable to the equity holders of the parent Company by the average number of ordinary shares in circulation during the year:

	<b>31.12.2023</b>	31.12.2022
Profit attributable to equity holders of the parent company	1,986	1,649
Average number of ordinary shares in issue	960,809,857	960,908,336
Earnings per share from continuing operations (in euro):		
- Basic	2.07	1.74
- Diluted	2.07	1.74
Earnings per share from discontinued activities (in euro):		
- Basic	—	(0.02)
- Diluted	—	(0.02)

The average number of ordinary shares used in the calculation of earnings per share in 2023 and 2022 is as follows:

	<b>2023</b>	2022
Average number of ordinary shares	969,613,801	969,613,801
Average number of treasury shares	(8,803,944)	(8,705,465)
Average number of shares in issue	960,809,857	960,908,336

Basic earnings per share are the same as diluted earnings per share as there were no instruments that could be converted into ordinary shares during those years and at the 2023 year-end the conditions for considering the shares pertaining to the incentive described in the paragraph on Share-based remuneration in the calculation of diluted earnings are not met.

## Dividends

Set out below is a breakdown of the payments of dividends made in 2023 and 2022:

	<b>31.12.2023</b>			31.12.2022		
	% of Nominal	Euros per share	Amount (1)	% of Nominal	Euros per share	Amount (1)
Ordinary shares	150 %	1.5	1,454	120 %	1.2	1,164
Other shares (without voting rights, redeemable, etc.)	—	—	—	—	—	—
<b>Total dividends paid</b>	<b>150 %</b>	<b>1.5</b>	<b>1,454</b>	<b>120 %</b>	<b>1.2</b>	<b>1,164</b>
a) Dividends charged to income statement or reminder	150 %	1.5	1,454	120 %	1.2	1,164
b) Dividends charged to reserves or share premium account	—	—	—	—	—	—
c) Dividends in kind	—	—	—	—	—	—

(1) Dividends paid net of those received by group companies amount to Euros 1,441 million and Euros 1,153 million at 31 December 2023 and 2022, respectively.

In addition, dividends paid to non-controlling interests in 2023 amounted to Euros 183 million (Euros 347 million in 2022) which include remuneration on other equity instruments amounted to Euros 34 million (Euros 40 million in total in 2022) (see "Non-controlling interests" in this note), bringing dividend payments to Euros 1,624 million (Euros 1,500 million in 2022).



**2023**

On 20 February 2023, the Board of Directors approved the following proposal for the distribution of the Company's net profit for 2022 and retained earnings, for submission to the annual general meeting:

**AVAILABLE FOR DISTRIBUTION**

Profit.....	1,435
Retained earnings.....	2,320
Available for distribution.....	3,755

**DISTRIBUTION:**

TO DIVIDENDS: The gross aggregate amount will be equal to the sum of the following quantities (the "Dividend"):

- i. Euros 679 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2022 paid by Naturgy Energy Group, S.A., jointly equivalent to 0.70 euros per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements prepared and in accordance with the legal requirements, which revealed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2022, and,
- ii. the amount obtained by multiplying 0.50 euros per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the "Supplementary Dividend") are determined.

Euros 679 million of said dividend was paid on 18 August and 18 November 2022. The Supplementary Dividend was paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). Said dividend was paid to shareholders as from 4 April 2023.

The Board of Directors was expressly empowered to delegate its powers to the director(s) it deems fit so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

**TOTAL DISTRIBUTED..... 3,755**

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting included a supplementary payment of Euros 0.50 per share for each qualifying share outstanding at the proposed date of payment.

Finally, the general meeting of shareholders held on 28 March 2023 approved a supplementary dividend of 0.50 euros per share for shares not directly held as treasury stock on the payment date, which was fully paid on 4 April 2023.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,592 million.

On 20 July 2023, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay an interim dividend of 0.5 euros per share out of 2023 profits for shares not classified as direct treasury stock on the date of distribution, which was paid on 7 August 2023.

The Company had sufficient liquidity to pay the dividend at the approval date in accordance with the Spanish Companies Act. The provisional liquidity statement at 30 June 2023 drawn up by the Directors on 20 July 2023 was as follows:

Profit after tax		841
Reserves to be replenished		—
<b>Maximum amount distributable</b>		<b>841</b>
Forecast maximum interim dividend payment (1)		<b>485</b>
Cash resources	2,309	
Undrawn credit facilities	5,283	
<b>Total liquidity</b>		<b>7,592</b>

1) Amount considering total shares issued

On 23 October 2023, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay a second interim dividend of 0.50 euros per share out of 2023 results for shares not classified as direct treasury shares on the date on which the dividend was paid, this being 7 November 2023.

The Company had sufficient liquidity to pay the dividend at the approval date, in accordance with the provisions of the Spanish Companies Act. The provisional liquidity statement at 30 September 2023 drawn up by the Directors on 23 October 2023 was as follows:

Profit after tax		1,144
Reserves to be replenished		—
<b>Maximum amount distributable</b>		<b>1,144</b>
2023 Interim dividend		485
<b>Forecast maximum interim dividend payment (1)</b>		<b>485</b>
Cash resources	1,728	
Undrawn credit facilities	5,354	
<b>Total liquidity</b>		<b>7,082</b>

1) Amount considering total shares issued

On 26 February 2024, the Board of Directors approved the following proposal for the distribution of the Company's net profit for 2023 and retained earnings, for submission to the annual general meeting:

## AVAILABLE FOR DISTRIBUTION

Profit.....	1,211
Retained earnings.....	2,592
Available for distribution.....	3,803

### DISTRIBUTION:

TO DIVIDENDS: The gross aggregate amount will be equal to the sum of the following quantities (the "Dividend"):

- i. Euros 969 million ("the Total Interim Dividend"), corresponding to the two interim dividends for 2023 paid by Naturgy Energy Group, S.A., jointly equivalent to 1.00 euros per share for the number of shares that were not direct treasury shares on the relevant dates as approved by the Board of Directors in accordance with the interim accounting statements prepared and in accordance with the legal requirements, which revealed the existence of sufficient liquidity for the distribution of these interim dividends out of the profit for 2023, and
- ii. the amount obtained by multiplying Euros 0.40 per share by the number of shares that are not direct treasury shares on the date on which the registered shareholders entitled to receive the supplementary dividend (the "Supplementary Dividend") are determined.

Euros 969 million of said dividend had already been paid on 7 August and 07 November 2023. The Supplementary Dividend will be paid in the amount per share indicated above through the entities that are members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear). Said dividend will be paid to shareholders as from 9 April 2022.

The Board of Directors is expressly empowered to delegate its powers to the director(s) it deems fit so that they may perform all the actions required to carry out the distribution and, in particular, without limitation, so that they may designate the entity that is to act as payment agent.

TO RETAINED EARNINGS: Determinable amount obtained by subtracting the dividend amount from the distribution base.

**TOTAL DISTRIBUTED..... 3,803**

This proposal for the distribution of profits and retained earnings prepared by the Board for approval by the annual general meeting includes a supplementary payment of Euros 0.40 per share for each qualifying share outstanding at the proposed date of payment, 9 April 2024. In this respect, in the event that at the time of distribution of the third and last payment of the proposed 2023 dividend (Euros 0.40 per share) the same number of treasury shares is maintained as at the 2023 year end (240,000 treasury shares, see section on Treasury shares), the amount applied to retained earnings would be Euros 2,446 million.

## 2022

On 3 February 2022, the Board of Directors approved the proposal submitted to the general meeting of shareholders for the distribution of the Company's net profit for 2021 and retained earnings from previous years, detailed in Note 14 of the consolidated annual accounts for the year ended 31 December 2021.

Subsequently, the general meeting of shareholders held on 15 March 2022 approved a supplementary dividend of 0.50 euros per share for shares not directly held as treasury stock on the payment date, which was fully paid in cash on 22 March 2022.

Following payment of the supplementary dividend, the amount allocated to Retained earnings was Euros 2,320 million.

On 11 August 2022, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay an interim dividend of 0.3 euros per share out of 2022 profits, for shares not classified as direct treasury stock on the date of distribution, and which was paid in full on 18 August 2022.

Finally, on 3 November 2022, the Board of Directors of Naturgy Energy Group, S.A. resolved to pay a second interim dividend of 0.40 euros per share out of 2022 results for shares not classified as direct treasury shares on the date on which the dividend was paid, this being 18 November 2022.

## Other equity items

Movements in other equity items break down as follows:

	Financial assets at fair value	Hedging operations	Tax effect	Total asset and liability revaluation reserves	Currency translation differences	Total
<b>31.12.2021</b>	<b>(468)</b>	<b>(2,779)</b>	<b>507</b>	<b>(2,740)</b>	<b>(1,237)</b>	<b>(3,977)</b>
Change in value	—	(3,603)	524	<b>(3,079)</b>	(89)	<b>(3,168)</b>
Taken to income statement	—	5,059	(758)	<b>4,301</b>	—	<b>4,301</b>
<b>31.12.2022</b>	<b>(468)</b>	<b>(1,323)</b>	<b>273</b>	<b>(1,518)</b>	<b>(1,326)</b>	<b>(2,844)</b>
Change in value	—	983	(129)	<b>854</b>	(110)	<b>744</b>
Taken to income statement	—	666	(94)	<b>572</b>	55	<b>627</b>
<b>31.12.2023</b>	<b>(468)</b>	<b>326</b>	<b>50</b>	<b>(92)</b>	<b>(1,381)</b>	<b>(1,473)</b>

The heading "Translation differences" includes the exchange differences described in Note 2.4.2. as a result of the euro's fluctuation against the main currencies of Naturgy's foreign companies. This heading also includes the effect of the restatement of the financial statements of companies in hyperinflationary economies.

## Non-controlling interests

	Non-controlling interests
<b>Balance at 01.01.2022</b>	<b>2,984</b>
Total comprehensive income for the year	265
Distribution of dividends	(303)
Early redemption subordinated debenture issuance	(500)
Return on subordinated perpetual debentures	(40)
Other changes	(1)
<b>Balance at 31.12.2022</b>	<b>2,405</b>
Total comprehensive income for the year	300
Distribution of dividends	(184)
Early redemption subordinated debenture issuance	—
Return on subordinated perpetual debentures	(29)
Other changes	(11)
<b>Balance at 31.12.2023</b>	<b>2,481</b>

During 2023 there have been no significant changes other than the actual profit for the year and the distribution of dividends and payment of remuneration.

The main change in 2022 related to the exercise of the early redemption option on the November 2014 subordinated debenture issuance in the amount of Euros 500 million.

Set out below is a breakdown of the most significant non-controlling interests:

Company	2023			2022		
	Attributed equity	Consolidated profit/(loss) for the year	Dividends and other remunerations	Attributed equity	Consolidated profit/(loss) for the year	Dividends and other remunerations
Metrogas, S.A.	355	29	—	351	(99)	—
Companhia Distribuidora de Gás do Rio de Janeiro, S.A.	118	50	31	95	14	9
Fuerza y Energía de Tuxpan S.A. de C.V.	100	15	—	109	14	—
Empresa de Distribución Eléctrica Metro Oeste, S.A.	95	3	11	107	3	—
Ecoeléctrica L.P.	70	17	—	71	15	—
Gas Natural Mexico, S.A. de C.V.	52	15	31	43	11	41
Ceg Río, S.A.	44	17	15	41	13	13
Aprovisionadora global de energía, S.A.	44	42	37	42	50	35
Nedgia Catalunya, S.A.	145	32	—	133	38	—
Nedgia Madrid, S.A.	46	16	—	38	15	—
Other companies (1)	294	18	54	257	54	203
<b>Subtotal</b>	<b>1,363</b>	<b>254</b>	<b>179</b>	<b>1,287</b>	<b>128</b>	<b>301</b>
Preference shares	110	5	5	110	2	2
Subordinated perpetual debentures	1,008	29	29	1,008	47	540
Other equity instruments	1,118	34	34	1,118	49	542
<b>Total</b>	<b>2,481</b>	<b>288</b>	<b>213</b>	<b>2,405</b>	<b>177</b>	<b>843</b>

(1) 2023, includes dividends accrued of Euros 20 million distributed by Holding de Negocios de Gas, S.A. (Euros 130 million in 2022).

Set out below is the financial information relating to the most significant non-controlling shareholdings (amounts at 100%):

Company	31 december 2023			31 december 2022		
	Total assets	Non-current liabilities	Current liabilities	Total assets	Non-current liabilities	Current liabilities
Metrogas, S.A.	1,864	(876)	(137)	1,916	(965)	(105)
Companhia Distribuidora de Gás do Rio de Janeiro, S.A.	877	(437)	(173)	801	(395)	(189)
Fuerza y Energía de Tuxpan S.A. de C.V.	668	(156)	(58)	689	(153)	(45)
Empresa de Distribución Eléctrica Metro Oeste, S.A.	1,337	(709)	(299)	1,390	(768)	(264)
Ecoelectrica L.P.	267	(6)	(3)	277	(7)	(2)
Europe Maghreb Pipeline, Ltd.	1	—	—	1	—	—
Gas Natural Mexico, S.A. de CV	723	(351)	(192)	636	(357)	(131)
Ceg Río, S.A.	349	(82)	(154)	310	(130)	(76)
Aprovisionadora global de energía, S.A.	183	(39)	(52)	220	(48)	(83)
Nedgia Catalunya, S.A.	1,026	(104)	(146)	932	(107)	(109)
Nedgia Madrid, S.A.	357	(38)	(69)	318	(40)	(70)

Appendix I contains a breakdown of Naturgy's investee companies, stating their activity and the percentage of the shareholding and equity interest.

The analysis performed to determine that Naturgy exercises control over the consolidated entities identified no cases requiring a complex judgement, since Naturgy is entitled to variable returns from its involvement in the investee and has the capacity to influence those returns through its power in the investee, based on Naturgy's representatives on the Board of Directors and its participation in significant decisions. Additionally, in general terms, there are no significant restrictions, such as protective rights, on Naturgy's capacity to access or utilise assets, or to settle liabilities.

### Perpetual subordinated debentures

At 31 December 2023 and 2022, the perpetual subordinated debentures issued by Naturgy Finance, B.V. break down as follows:

Issuance	Outstanding nominal		Early redemption option	Coupon
	At 31.12.2023	At 31.12.2022		
Nov 2014 (1)	—	—	2022	4.125%
Apr 2015	500	500	2024	3.375%
Nov 2021	500	500	2027	2.374%

(1) The debentures issued in November 2014 with a nominal value of Euros 500 million were settled in November 2022.

In November 2021, Naturgy issued subordinated perpetual bonds for an amount of Euros 500 million, redeemable at the issuer's choice as from February 2027 and with an annual return of 2.374%. As part of the operation, a Euros 500 million repurchase of the subordinated perpetual bonds redeemable as from November 2022 was carried out. The repurchase price of 104.211% was determined on the basis of the purchase performance up to the first optional purchase date based on a settlement date of 24 November 2021. The difference between the repurchase price and the book value repurchased, together with the repurchase costs, were recognised in consolidated equity under "Reserves" at 31 December 2022 and amounted to Euros 25 million.

Interest accrued on these debentures is not payable but rather is cumulative. Nonetheless, Naturgy must pay it if dividends are paid out or the decision to exercise the early redemption option is taken.

Although no contractual maturity has been established for these debentures, Naturgy Finance, B.V. has the option to redeem them early on the early redemption option date and subsequently, on every interest payment date.

Naturgy recognised the cash received in "Non-controlling interests" under equity in the consolidated balance sheet on the understanding that the issues did not meet the conditions to be considered as a financial liability, because Naturgy does not have a contractual commitment to hand over cash or any other financial asset nor any obligation to exchange financial assets or liabilities; the circumstances whereby it would be obligated in this respect are entirely at the discretion of Naturgy.

The interest accrued during 2023 amounts to Euros 29 million (2022: Euros 48 million) and has been recognised under “Non-controlling interests” in the consolidated income statement for 2023 and 2022.

## Preference shares

In 2005 Union Fenosa Preferentes, S.A. carried out a preference share issue for a nominal amount of Euros 750 million, of which Euros 640 million was repurchased in 2015, the remainder still being in circulation.

Dividends are variable and non-cumulative, accruing interest at the 3-month Euribor plus a 1.65% spread. The dividend is paid per calendar quarter in arrears, subject to the existence of distributable profits in Naturgy, (considering as such the lower between the declared net profit of Naturgy and the net profit of Naturgy Energy Group, S.A. as guarantor) and the payment of a dividend by Naturgy Energy Group, S.A. In addition, Unión Fenosa Preferentes, S.A.U. has the option, but not the obligation, to pay the holders of the preference shares a benefit in kind by increasing their nominal value.

The shares are perpetual, with the option for the issuer to redeem them at nominal value.

Naturgy recognised the cash received in “Non-controlling interests” under equity in the consolidated balance sheet on the understanding that the issue did not meet the conditions to be considered as a financial liability, because Naturgy does not have a contractual commitment to hand over cash or any other financial asset nor any obligation to exchange financial assets or liabilities; the circumstances whereby it would be obligated in this respect are entirely at the discretion of Naturgy.

## Note 15 . Deferred income

The breakdown and the movements under this heading in 2023 and 2022 have been as follows:

	Capital grants	Revenues from pipeline networks and branch lines	Other	Total
<b>01.01.2022</b>	<b>102</b>	<b>705</b>	<b>82</b>	<b>889</b>
Amount received	13	58	3	74
Release to income	(7)	(34)	(9)	(50)
Currency translation differences (1)	—	3	—	3
Transfers and other	2	—	8	10
<b>31.12.2022</b>	<b>110</b>	<b>732</b>	<b>84</b>	<b>926</b>
Amount received	1	70	5	76
Release to income	(9)	(34)	(9)	(52)
Currency translation differences (1)	—	(1)	—	(1)
Transfers and other	(1)	—	3	2
<b>31.12.2023</b>	<b>101</b>	<b>767</b>	<b>83</b>	<b>951</b>

(1) includes the impact of Argentina's hyperinflation.

This heading mainly includes:

- Capital grants relating basically to agreements with the Regional Governments or other entities for the gasification or electrification of municipalities and other investments in gas infrastructure, for which Naturgy has met all the conditions established, are stated at the amount granted (Note 2.4.16.).
- Revenue received for the construction of facilities for connecting to the gas or electricity distribution network (connections), which is recognised for the cash amount received, as well as such facilities received under assignment, which are recognised at fair value (Note 2.4.16.).

## Note 16. Provisions

The breakdown of provisions at 31 December 2023 and 2022 is as follows:

	<b>31.12.2023</b>	31.12.2022
Provisions for employee obligations	388	344
Other provisions	1,460	1,312
<b>Non-current provisions</b>	<b>1,848</b>	<b>1,656</b>
<b>Current provisions</b>	<b>543</b>	<b>700</b>
<b>Total</b>	<b>2,391</b>	<b>2,356</b>

### Provisions for employee benefits

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

	<b>2023</b>			2022		
	Pensions and other similar obligations	Other obligations with personnel	<b>Total</b>	Pensions and other similar obligations	Other obligations with personnel	<b>Total</b>
<b>At 1 January</b>	<b>319</b>	<b>25</b>	<b>344</b>	<b>411</b>	<b>19</b>	<b>430</b>
Appropriations/reversals charged to income statement	21	14	35	16	12	28
Payments during the year	(26)	(10)	(36)	(17)	(10)	(27)
Currency translation differences	(3)	—	(3)	5	—	5
Changes recognised directly in equity	47	—	47	(96)	—	(96)
Transfers and other applications	1	—	1	—	4	4
<b>At 31 December</b>	<b>359</b>	<b>29</b>	<b>388</b>	<b>319</b>	<b>25</b>	<b>344</b>

### Pensions and other similar obligations

The breakdown of the provisions for post-employment pension obligations by country is as follows:

<b>Breakdown by country</b>	<b>31.12.2023</b>	31.12.2022	01.01.2022
Spain	260	239	346
Brazil	63	56	43
Chile	6	5	4
Mexico	27	15	14
Rest	3	4	4
<b>Total</b>	<b>359</b>	<b>319</b>	<b>411</b>

#### Spain

Most of Naturgy's post-employment obligations in Spain consist of the contribution of defined amounts to occupational pension plan systems. At 31 December 2023 and 31 December 2022, it held the following defined benefit obligations for certain groups of workers:

- Pensions to retired workers, the disabled, widows and orphans and other related groups.
- Defined benefit supplement obligations with retired personnel of the legacy Unión Fenosa Group who retired before November 2002 and a residual part of current personnel.
- Coverage of retirement and death for certain employees.
- Gas subsidy for current and retired personnel.
- Electricity for current and retired personnel.

- Obligations with employees that took early retirement until they reach official retirement age and early retirement plans.
- Salary supplements and contributions to social security for a group of employees taking early retirement until they can access ordinary retirement.
- Health care and other benefits.

## **Brazil**

At 31 December 2023 and at 31 December 2022, the following benefits payable by Naturgy for certain employees in Brazil were still in effect:

- Defined post-employment benefits plan, covering retirement, death on the job and disability pensions and overall amounts.
- Post-employment healthcare plan.
- Other defined post-employment benefit plans that guarantee temporary pensions, life-time pensions and overall amounts depending on seniority.

## **Chile**

At 31 December 2023 and at 31 December 2022, the following benefits payable by Naturgy for certain employees in Chile were still in effect:

- Termination benefits for employees due to retirement, dismissal or death, calculated based on length of service.
- Length-of-service awards payable at 5, 10, 15, 20, 25 and 30 years of service.

## **Mexico**

At 31 December 2023 and at 31 December 2022, the following benefits payable by Naturgy for certain employees in Mexico were still in effect:

- Length-of-service award payable after 15 years of service
- Severance indemnity for employees without the service requirement, payable in the event of death at work, incapacity or redundancy.
- Severance indemnity equivalent to three months' salary plus 20 days' salary per year of service.
- Additional compensation only in the event of retirement equal to 1% of the base salary per year of service.

A breakdown by country of the provisions for pensions and liabilities recognised in the consolidated balance sheet, showing the most relevant balances, and the fair value of the plan-related assets is as follows:



	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
<b>Present value of obligations</b>								
<b>At 1 January</b>	<b>689</b>	<b>122</b>	<b>5</b>	<b>18</b>	<b>956</b>	<b>106</b>	<b>4</b>	<b>16</b>
Service cost for the year	1	—	1	1	3	—	—	1
Interest cost	26	13	—	2	14	11	1	1
Changes recognised in equity	59	2	—	11	(220)	7	—	(2)
Benefits paid	(61)	(11)	—	—	(64)	(10)	—	—
Currency translation differences	—	7	—	(2)	—	8	—	2
Transfers and other	—	—	—	—	—	—	—	—
<b>At 31 December</b>	<b>714</b>	<b>133</b>	<b>6</b>	<b>30</b>	<b>689</b>	<b>122</b>	<b>5</b>	<b>18</b>
<b>Fair value of plan assets</b>								
<b>At 1 January</b>	<b>450</b>	<b>66</b>	<b>—</b>	<b>3</b>	<b>610</b>	<b>63</b>	<b>—</b>	<b>2</b>
Expected yield	17	8	—	—	9	7	—	—
Contributions	8	1	—	—	—	3	—	—
Changes recognised in equity	25	(1)	—	—	(121)	—	—	—
Benefits paid	(47)	(8)	—	—	(48)	(10)	—	—
Currency translation differences	—	4	—	—	—	3	—	1
Transfers and other	1	—	—	—	—	—	—	—
<b>At 31 December</b>	<b>454</b>	<b>70</b>	<b>—</b>	<b>3</b>	<b>450</b>	<b>66</b>	<b>—</b>	<b>3</b>
<b>Provisions for pensions and similar obligations</b>	<b>260</b>	<b>63</b>	<b>6</b>	<b>27</b>	<b>239</b>	<b>56</b>	<b>5</b>	<b>15</b>

The amounts recognised in the consolidated income statement for the above-mentioned pension plans are as follows:

	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Service cost for the year	1	—	1	1	3	—	—	1
Interest cost	26	13	—	2	14	11	1	1
Expected return on plan assets	(17)	(8)	—	—	(9)	(7)	—	—
<b>Total charge to the income statement</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>8</b>	<b>4</b>	<b>1</b>	<b>2</b>

Benefits payable, depending on the duration of the above commitments, are as follows:

	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
1 to 5 years	—	—	—	—	—	—	—	8
5 to 10 years	16	63	6	6	26	56	5	6
More than 10 years	244	—	—	21	213	—	—	1
<b>Provisions for pensions and similar obligations</b>	<b>260</b>	<b>63</b>	<b>6</b>	<b>27</b>	<b>239</b>	<b>56</b>	<b>5</b>	<b>15</b>

The weighted average term of defined benefit commitments is as follows:

Years	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Weighted average term of pension commitments	13.25	9.8	7.15	14.39	13.9	8	7.8	14.7

Movements in the liability recognised in the consolidated balance sheet are as follows:

	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
<b>At 1 January</b>	<b>239</b>	<b>56</b>	<b>5</b>	<b>15</b>	<b>346</b>	<b>43</b>	<b>4</b>	<b>14</b>
Charge against the income statement	10	5	1	3	8	4	1	2
Contributions paid and benefits	(22)	(4)	—	—	(16)	(3)	—	—
Changes recognised in equity	34	3	—	11	(99)	7	—	(2)
Transfers and others	(1)	—	—	—	—	—	—	—
Currency translation differences	—	3	—	(2)	—	5	—	1
<b>At 31 December</b>	<b>260</b>	<b>63</b>	<b>6</b>	<b>27</b>	<b>239</b>	<b>56</b>	<b>5</b>	<b>15</b>

The amount of cumulative actuarial gains and losses recognised directly in equity is negative by Euros 113 million at 31 December 2023 (negative by Euros 65 million at 31 December 2022), as follows:

	2023	2022
Spain	(9)	25
Brazil	(77)	(74)
Chile	(13)	(13)
Mexico	(14)	(3)
<b>Total</b>	<b>(113)</b>	<b>(65)</b>

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

	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Financial assumptions	25	6	—	4	(114)	(2)	—	(7)
Demographic assumptions	—	—	—	—	—	—	—	—
Experience	9	(2)	—	7	16	6	—	5
Limits on assets	—	(1)	—	—	(1)	3	—	—
<b>At 31 December</b>	<b>34</b>	<b>3</b>	<b>—</b>	<b>11</b>	<b>(99)</b>	<b>7</b>	<b>—</b>	<b>(2)</b>

The main categories of assets, expressed as a percentage of the total fair value of the assets, are as follows:

% of total	2023				2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Shares	— %	27 %	— %	— %	— %	10 %	— %	— %
Bonds	100 %	64 %	— %	100 %	100 %	83 %	— %	100 %
Real estate and other assets	— %	9 %	— %	— %	— %	7 %	— %	— %

Real yields on the plan-related assets in 2023, relating basically to Spain and Brazil, have been Euros 24 million (Euros 16 million in 2022).

The actuarial assumptions are the following:

	31.12.2023				31.12.2022			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Discount rate (1)	3,21% a 3,30%	10.12%	5.30%	9,17% a 10,55%	3,25 a 4,07%	9.89%	2.49%	10.25%
Expected return on plan assets (1)	3,21% a 3,30%	10.12%	n/a	10.55%	3,25 a 4,07%	9.89%	n/a	10.25%
Future salary increases (1)	2.00%	n/a	2,25% a 5,10%	5.50%	2.00%	5.04%	2.00%	4.00%
Future pension increases (1)	2.00%	n/a	n/a	n/a	2.00%	4.00%	n/a	4.00%
Inflation rate (1)	2.00%	4.50%	3.00%	4.00%	2.00%	4.00%	11.40%	4.00%
Mortality table	PER2020 Col 1st order	AT-2000 smoothed	RV 2020	EMSSA 2009	PER2020 Col 1st order	AT-2000	RV-2014	EMSSA 2009
Life expectancy:								
Men								
Retired at age 65 in the current year	25.00	20.49	21.53	22.47	24.82	20.94	19.39	22.91
Employees 45 years old currently, at the time of retirement	27.52	18.66	23.13	23.61	27.37	18.66	23.05	23.55
Women								
Retired at age 65 in the current year	28.72	23.06	25.74	24.83	28.55	23.51	24.05	25.28
Employees 45 years old currently, at the time of retirement	31.05	21.85	27.12	25.61	30.91	21.85	27.05	25.58

(1) Annual

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

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

Benefits payable and estimated contributions to be made for 2024 in million euros are as follows:

	Benefits				Contributions			
	Spain	Brazil	Chile	Mexico	Spain	Brazil	Chile	Mexico
Post-employment	45	7	—	—	11	—	—	1
Post-employment medical	—	—	—	—	3	4	—	—
<b>At 31 December</b>	<b>45</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>14</b>	<b>4</b>	<b>—</b>	<b>—</b>

The following table includes the effect of a 1% variation in the inflation rate, a 1% change in the discount rate and a 1% change in the cost of healthcare over the provisions and actuarial costs:

	Inflation 1%	Discount rate +1%	Healthcare +1%
Present value of obligations	40	(75)	5
Fair value of plan assets	28	(46)	—
Asset ceiling	—	(1)	—
<b>Provision for pensions</b>	<b>12</b>	<b>(28)</b>	<b>5</b>
Service cost for the year	—	—	—
Interest cost	2	4	—
Expected return on plan assets	1	2	—

## Other employee benefits

Together with the approval of the Strategic Plan 2021-2025, the extension of the long-term incentive plan implemented with the Strategic Plan 2018-2022 was approved. Naturgy executives not included in the plan mentioned in Note 14. This change maintains the aim of aligning shareholders' interests, the materialisation of the Strategic Plan and executives' multi-year variable remuneration. The plan amendment extends the term of the plan until 31 December 2025 for certain serving beneficiaries in order to contribute to the achievement of the Strategic Plan 2021-2025.

In order to compensate for the delay in collection derived from the extension of the plan, a cash compensation was established which was paid upon the acceptance of the amendment and approval of the new LTI plan by the general meeting on 15 March 2022.

The provision for this commitment at 31 December 2023 totals Euros 29 million (Euros 25 million at 31 December 2022).

## Other current and non-current provisions

Movements in current and non-current provisions are as follows:

	Non-current provisions			Current provisions	Total
	Due to facility closure costs	Other provisions	Total		
<b>01.01.2022</b>	<b>501</b>	<b>215</b>	<b>716</b>	<b>589</b>	<b>1,305</b>
Appropriations/reversals charged to income statement:					
– Appropriations due to financial update	6	159	165	—	<b>165</b>
– Appropriations charged to other headings of the Income statement	3	429	432	638	<b>1,070</b>
– Reversals	(5)	(8)	(13)	(26)	<b>(39)</b>
Appropriations/reversals charged to fixed assets	25	—	25	—	<b>25</b>
Payments	(15)	(3)	(18)	(486)	<b>(504)</b>
Business combinations	5	—	5	(2)	<b>3</b>
Currency translation differences	3	2	5	4	<b>9</b>
Transfers and other	—	(5)	(5)	(17)	<b>(22)</b>
<b>31.12.2022</b>	<b>523</b>	<b>789</b>	<b>1,312</b>	<b>700</b>	<b>2,012</b>
Appropriations/reversals charged to income statement:					
– Appropriations due to financial update	11	28	39	—	<b>39</b>
– Appropriations charged to other headings of the Income statement	9	164	173	561	<b>734</b>
– Reversals	(1)	(48)	(49)	(7)	<b>(56)</b>
Appropriations/reversals charged to fixed assets	(17)	—	(17)	—	<b>(17)</b>
Payments	(16)	(5)	(21)	(696)	<b>(717)</b>
Business combinations	22	—	22	—	<b>22</b>
Currency translation differences	(1)	(26)	(27)	(2)	<b>(29)</b>
Transfers and other	1	27	28	(13)	<b>15</b>
<b>31.12.2023</b>	<b>531</b>	<b>929</b>	<b>1,460</b>	<b>543</b>	<b>2,003</b>

The heading “Provisions due to facility closure costs” includes provisions for obligations arising from decommissioning, restoration and other costs related basically to electricity generation and renewables facilities.

The “Other non-current provisions” heading includes provisions recognised to cover obligations derived mainly from tax claims, lawsuits and arbitration, insurance and other liabilities. Provisions have been recorded during the year due to the development of certain civil, administrative and tax-related claims existing in various Group companies.

In 2022, a provision of Euros 319 million was recorded with respect to the litigation between the Group’s Chilean company Metrogas, S.A. and Transportadora de Gas del Norte S.A.

The “Current provisions” heading relates mainly to CO2 emissions estimated for the year in the amount of Euros 413 million at 31 December 2023 (Euros 599 million in 2022).

As indicated in Note 2.4.19., an onerous contract is one where the unavoidable costs of fulfilling the obligations exceed the economic benefits expected to be received from the contract. For these purposes, the unavoidable costs of the contract are considered to be the lower of the cost of complying with the contract terms and the amount of compensation or penalties resulting from non-compliance. As at 31 December 2023, a balance of Euros 10 million is provided for with respect to this item (Euros 22 million as at 31 December 2022).

The estimated payment periods for the non-current obligations provisioned in this item are Euros 1,023 million in between one and five years (Euros 809 million at 31 December 2022), Euros 87 million in between five and 10 years (Euros 70 million at 31 December 2022) and Euros 350 million after more than 10 years (Euros 433 million at 31 December 2022).

## Note 17. Financial liabilities

The breakdown of borrowings at 31 December 2023 and 2022 is as follows:

	31.12.2023	31.12.2022
Issuing of debentures and other negotiable obligations	6,197	7,468
Borrowings from financial institutions	5,932	5,221
Derivative financial instruments (Note 18)	1	—
Lease liabilities (Note 2.4.21)	1,296	1,309
Other financial liabilities	—	1
<b>Non-current borrowings</b>	<b>13,426</b>	<b>13,999</b>
Issuing of debentures and other negotiable obligations	1,432	735
Borrowings from financial institutions	931	1,350
Derivative financial instruments (Note 18)	5	25
Lease liabilities (Note 2.4.21)	167	177
Other financial liabilities	9	15
<b>Current borrowings</b>	<b>2,544</b>	<b>2,302</b>
<b>Total</b>	<b>15,970</b>	<b>16,301</b>

Financial liabilities recognised at fair value at 31 December 2023 and at 31 December 2022 are classified as follows:

Financial liabilities	31.12.2023				31.12.2022			
	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total	Level 1 (listed price on active markets)	Level 2 (observable variables)	Level 3 (non-observable variables)	Total
Fair value through profit or loss	—	—	—	—	—	—	—	—
Hedging derivatives	—	6	—	6	—	25	—	25
<b>Total</b>	<b>—</b>	<b>6</b>	<b>—</b>	<b>6</b>	<b>—</b>	<b>25</b>	<b>—</b>	<b>25</b>

Other financial liabilities are measured at amortised cost.

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

	Carrying amount		Fair value	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Issuing of debentures and other negotiable securities	6,197	7,468	5,988	6,957
Loans from financial institutions and other financial liabilities	5,932	5,222	5,868	5,166

Bonds and other marketable securities are quoted and therefore their fair value is estimated on the basis of their quoted price (Level 1). In loans from financial institutions and other financial liabilities, the fair value of loans with fixed interest rates is estimated on the basis of the discounted cash flows over the remaining terms of such debt. The discount rates were determined based on market rates available at 31 December 2023 and 31 December 2022 on borrowings with similar credit and maturity characteristics. These valuations are based on the quotation price of similar financial instruments in an official market or on observable information in an official market (Level 2).

The following tables describe borrowings by instrument at 31 December 2023 and 31 December 2022 and their maturity profiles, taking into account the impact of the derivative hedges.

	2024	2025	2026	2027	2028	2029 and later years	Total
<b>31.12.2023</b>							
Issuing of debentures and other negotiable securities							
Fixed	1,264	1,358	1,697	993	787	1,314	<b>7,413</b>
Floating	168	6	4	6	6	26	<b>216</b>
Institutional Banks and other financial institutions							
Fixed	94	92	91	91	249	529	<b>1,146</b>
Floating	27	2	2	2	33	497	<b>563</b>
Lease liabilities							
Fixed	167	159	159	130	117	731	<b>1,463</b>
Floating	—	—	—	—	—	—	<b>—</b>
Commercial Banks and other financial liabilities							
Fixed	270	204	1,188	17	186	53	<b>1,918</b>
Floating	554	730	951	854	152	10	<b>3,251</b>
Total Fixed	1,795	1,813	3,135	1,231	1,339	2,627	<b>11,940</b>
Total Floating	749	738	957	862	191	533	<b>4,030</b>
<b>Total</b>	<b>2,544</b>	<b>2,551</b>	<b>4,092</b>	<b>2,093</b>	<b>1,530</b>	<b>3,160</b>	<b>15,970</b>

	2023	2024	2025	2026	2027	2028 and later years	Total
<b>31.12.2022</b>							
Issuing of debentures and other negotiable securities							
Fixed	727	1,147	1,332	1,738	989	2,077	<b>8,010</b>
Floating	8	146	4	4	4	27	<b>193</b>
Institutional Banks and other financial institutions							
Fixed	92	92	92	92	92	776	<b>1,236</b>
Floating	42	18	5	2	2	25	<b>94</b>
Lease liabilities							
Fixed	177	158	143	135	99	774	<b>1,486</b>
Floating	—	—	—	—	—	—	<b>—</b>
Commercial Banks and other financial liabilities							
Fixed	661	219	214	1,156	33	35	<b>2,318</b>
Floating	595	754	818	774	5	18	<b>2,964</b>
Total Fixed	1,657	1,616	1,781	3,121	1,213	3,662	<b>13,050</b>
Total Floating	645	918	827	780	11	70	<b>3,251</b>
<b>Total</b>	<b>2,302</b>	<b>2,534</b>	<b>2,608</b>	<b>3,901</b>	<b>1,224</b>	<b>3,732</b>	<b>16,301</b>

Had the impact of the derivatives on borrowings been excluded, fixed-rate financial debt would amount to Euros 9,576 million at 31 December 2023 (Euros 10,386 million at 31 December 2022) and, at floating rates, Euros 6,388 million at 31 December 2023 (Euros 5,890 million at 31 December 2022).

The following table describes consolidated gross financial debt denominated by currency at 31 December 2023 and 31 December 2022 and its maturity profile, taking into account the impact of the derivative hedges:

	2024	2025	2026	2027	2028	2029 and later years	Total
<b>31.12.2023</b>							
Euro debt	1,474	1,579	2,008	1,828	1,104	2,355	10,348
Foreign Currency Debt:							
US Dollar	455	503	1,322	133	333	511	3,257
Chilean peso	102	82	138	62	—	—	384
Mexican peso	167	256	249	53	1	135	861
Brazilian real	74	120	140	9	8	55	406
Australian dollar	263	8	232	6	84	104	697
Argentinian peso	9	3	3	2	—	—	17
<b>Total</b>	<b>2,544</b>	<b>2,551</b>	<b>4,092</b>	<b>2,093</b>	<b>1,530</b>	<b>3,160</b>	<b>15,970</b>

	2023	2024	2025	2026	2027	2028 and later years	Total
<b>31.12.2022</b>							
Euro debt	1,461	1,890	1,719	1,948	1,109	2,886	11,013
Foreign Currency Debt:							
US Dollar	522	302	479	1,319	75	667	3,364
Chilean peso	113	68	81	159	22	—	443
Mexican peso	106	142	218	172	3	127	768
Brazilian real	68	116	98	52	5	52	391
Australian dollar	13	12	12	251	10	—	298
Argentinian peso	19	4	1	—	—	—	24
<b>Total</b>	<b>2,302</b>	<b>2,534</b>	<b>2,608</b>	<b>3,901</b>	<b>1,224</b>	<b>3,732</b>	<b>16,301</b>

Borrowings in euros in 2023 have borne interest at an effective average rate of 1.77% (1.53% in 2022) while borrowings in foreign currency have borne interest at an effective average rate of 8.77% in 2023 (6.84% in 2022) including derivative instruments assigned to each transaction.

Monthly average borrowings amount to Euros 14,325 million (Euros 15,099 million in 2022) and have been calculated as the monthly average of gross borrowings excluding liabilities for finance leases.

At 31 December 2023, Naturgy has credit facilities totalling Euros 5,720 million (Euros 5,623 million at 31 December 2022), of which Euros 5,551 million has not been drawn down (Euros 5,497 million at 31 December 2022).

Bank borrowings totalling Euros 3,911 million (Euros 3,950 million at 31 December 2022) and issued bonds amounting to Euros 195 million (Euros 208 million at 31 December 2022) are subject to the fulfilment of certain financial ratios.

Most outstanding borrowings include a clause relating to a change in control, either through the acquisition of more than 50% of voting shares or by obtaining the right to appoint the majority of the members of the Board of Directors of Naturgy Energy Group, S.A. These clauses are subject to additional conditions and their enforcement therefore depends on the simultaneous occurrence of some of the following events: a material downgrade in the credit rating caused by the change in control, or the loss of investment grade status granted by rating agencies; inability to meet the financial obligations of the contract; a material detrimental event for the creditor; or a material adverse change in creditworthiness. These clauses involve the repayment of drawn-down debt, although they usually have a longer term than that granted in cases of early termination.

Specifically, the bonds issued, in a volume of Euros 7,005 million (Euros 7,656 million at 31 December 2022), as is habitual in the Euromarket, could be redeemed in advance provided that such a change in control triggers a downgrade of more than two full notches in at least two of the three ratings that it had obtained, and all the ratings fall below investment grade, and provided that the rating agency states that the rating downgrade results from the change in control.

There are also loans for an amount of Euros 2,248 million that could be subject to early repayment in the event of a change in control (Euros 1,353 million at 31 December 2022). Most of this amount is linked to infrastructure financing with funds from the European Investment Bank that require a rating downgrade in addition to the change in control, and have special repayment terms that are longer than those relating to early termination events.

At the date of preparation of these consolidated annual accounts, Naturgy is not in breach of its financial obligations or of any type of obligation that could give rise to the early maturity of its financial commitments, except for GPG Solar Chile 2017, S.p.A. for which certain obligations under financing contracts have not been fulfilled, as was the case in 2022. A waiver preventing early termination by the financing banks has been obtained and the debt continues to be classified as current. In the case of Ibereólica Cabo Leones II, S.A., it is not in breach of any financing agreements at the date of preparation of these consolidated annual accounts, unlike in the previous year.

Naturgy is in the process of continually optimising the financing assigned to each of the business units to enhance their accounting visibility and financial autonomy, and to obtain financing in the same currency as that in which the cash flows originate, in order to achieve greater flexibility.

The main financial instruments are as follows:



## Issuing of debentures and other negotiable securities

In 2023 and 2022 the evolution of the issues of debt securities has been as follows:

	At 1.1.2023	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	At 31.12.2023
Issued in a European Union Member State which required the filing of a prospectus	7,508	—	(550)	41	6,999
Issued in a European Union Member State which did not require the filing of a prospectus	—	—	—	—	—
Issued outside a European Union Member State	695	—	(105)	40	630
<b>Total</b>	<b>8,203</b>	<b>—</b>	<b>(655)</b>	<b>81</b>	<b>7,629</b>

	At 1.1.2022	Issues	Buy-backs or redemptions	Adjustments, exch. rates & other	At 31.12.2022
Issued in a European Union Member State which required the filing of a prospectus	7,939	300	(754)	23	7,508
Issued in a European Union Member State which did not require the filing of a prospectus	—	—	—	—	—
Issued outside a European Union Member State	647	—	(7)	55	695
<b>Total</b>	<b>8,586</b>	<b>300</b>	<b>(761)</b>	<b>78</b>	<b>8,203</b>

An analysis of the most relevant characteristics of the main issuance programmes for debentures and other negotiable securities by Naturgy is as follows, excluding the impact of accrued unpaid interest:

### 31.12.2023

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issuances per year
<b>Euro Commercial Paper (ECP) programme</b>							
Naturgy Finance B.V.	Netherlands	2010	Euros	1,000	—	1,000	—
<b>European Medium Term Notes (EMTN) programme</b>							
Gas Natural Capital Markets, S.A. and Naturgy Finance B.V.	Netherlands/ Spain	1999	Euros	12,000	7,005	4,995	—
<b>Negotiable bonds and Certificates Programme</b>							
Guimarania I solar SPE Ltda	Brazil	2020	Brazilian real	8	8	—	—
Guimarania II Solar II SPE Ltda	Brazil	2018	Brazilian real	21	21	—	—
Sobral I Solar Energia SPE Ltda.	Brazil	2018	Brazilian real	21	21	—	—
Sertao I Solar Energia SPE Ltda	Brazil	2018	Brazilian real	21	21	—	—
Naturgy México S.A. de C.V.	Mexico	2011	Mexican peso	534	436	98	—
Naturgy BAN, S.A.	Argentina	2015	Argentinian peso	6	—	6	—
CGE group	Chile	2015	Chilean peso	143	143	—	—

**31.12.2022**

Programme/Company	Country	Year formalised	Currency	Programme limit	Drawn-down nominal amount	Available	Issuances per year
<b>Euro Commercial Paper (ECP) programme</b>							
Naturgy Finance B.V.	Netherlands	2010	Euros	1,000	—	1,000	300
<b>European Medium Term Notes (EMTN) programme</b>							
Gas Natural Capital Markets, S.A. and Naturgy Finance B.V.	Netherlands/ Spain	1999	Euros	12,000	7,656	4,344	—
<b>Negotiable bonds and Certificates Programme</b>							
Guimarania I solar SPE Ltda	Brazil	2020	Brazilian real	8	8	—	—
Guimarania II Solar II SPE Ltda	Brazil	2018	Brazilian real	21	21	—	—
Sobral I Solar Energia SPE Ltda.	Brazil	2018	Brazilian real	21	21	—	—
Sertao I Solar Energia SPE Ltda	Brazil	2018	Brazilian real	21	21	—	—
Naturgy México S.A. de C.V.	Mexico	2011	Mexican peso	479	391	88	—
Naturgy BAN, S.A.	Argentina	2015	Argentinian peso	26	—	26	—
CGE group	Chile	2015	Chilean peso	154	154	—	—

The breakdown of the nominal balance issued under the EMTN programme is as follows:

Issuance	Drawn-down nominal amount		Maturity	Coupon %
	31.12.2023	31.12.2022		
January 2013	—	396	2023	3.88
July 2013 (1)	—	101	2023	3.97
March 2014	412	412	2024	2.88
May 2014	—	154	2023	2.63
January 2015	401	401	2025	1.38
April 2016	600	600	2026	1.25
January 2017	1,000	1,000	2027	1.38
April 2017	742	742	2024	1.13
October 2017	300	300	2029	1.88
November 2017	800	800	2025	0.88
January 2018	850	850	2028	1.50
November 2019	900	900	2029	0.75
April 2020	1,000	1,000	2026	1.25
<b>Total</b>	<b>7,005</b>	<b>7,656</b>		

(1)NOK 800 million as nominal value.

**2023**

There were no issues under the EMTN and ECP programmes in 2023.

In 2023 bonds matured for a total amount of Euros 651 million and with an average coupon of 3.59%.

**2022**

There were no issues under the EMTN programme in 2022.

In 2022 a bond matured for a total amount of Euros 454 million and with an average coupon of 3.88%.

In 2022, issues under the Euro Commercial Paper (ECP) programme totalling Euros 300 million were carried out. There were no outstanding issues at 31 December 2022.

## Borrowings from financial institutions

### Loans from European credit institutions (commercial / institutional banks)

At 31 December 2023, bank borrowings (commercial banks) include bank loans of Euros 2,404 million (Euros 2,815 million at 31 December 2022).

The group continues to work on strengthening its financial profile; in this line, refinancing operations of loans and credit lines with credit institutions in Spain and in international business amounted to Euros 2,156 million and the equivalent of Euros 531 million, respectively.

In December 2023, bank loans for an aggregate amount of Euros 750 million have been arranged and are undrawn at year-end.

Additionally, in connection with borrowings from institutional banks, the European Investment Bank (EIB) had granted financing at 31 December 2023 in the amount of Euros 1,550 million maturing between 2025 and 2043 (Euros 1,153 million drawn at 31 December 2022). This amount includes the new loan concluded with the EIB for Euros 700 million in October 2023, of which Euros 500 million had already been drawn down at 31 December 2023, with Euros 200 million yet to be drawn down.

In addition, a loan is recorded from the Official Credit Institute (ICO) totalling Euros 120 million maturing in 2029 at the latest (Euros 140 million at 31 December 2022).

Naturgy also enjoys a comfortable debt maturity profile and balance sheet position, as well as flexibility in its capital expenditure and operating expenses for coping with the current economic scenario.

### Loans from Latin American credit institutions (commercial / institutional banks)

At 31 December 2023 borrowings from various Latin American financial institutions totalled Euros 2,223 million (Euros 2,207 million at 31 December 2022). The geographic breakdown of these loans is as follows:

Country	31.12.2023	31.12.2022
Chile	577	648
Panama	881	846
Brazil	349	338
Mexico	400	352
Other	16	23
	<b>2,223</b>	<b>2,207</b>

### Bank loans in other countries (commercial/institutional banks)

At 31 December 2023, payables to credit institutions in other countries amount to Euros 565 million, mainly relating to Australia (Euros 256 million at 31 December 2022), of which Euros 83 million euros relates to the Mini-perm of the Berrybank II wind farm and Euros 8 million to undrawn credit lines.

## Lease liabilities

The main finance lease liabilities recognised under this heading at 31 December 2023 and 31 December 2022 are as follows:

- Vessels under finance leases are as follows:

Acquisition year	Capacity (m <sup>3</sup> )	Duration (year)	Maturity	Ampliation option
2009	138,000	25	2029	5 years
2014	173,000	18	2032	—
2016	176,300	20	2036	—
2016	176,300	20	2036	—
2018	176,000	20	2037	—
2018	176,000	20	2037	—
2021	138,000	25	2029	5 years

- Other relevant financial liabilities associated with lease contracts, which relate to the leases on office buildings and land for energy use linked to generation facilities. (Note 7).

Naturgy's activity as a lessor in contracts that qualify as finance leases is of little relevance, the main item being commercial collection rights for the assignment of the right to use gas and energy management facilities.

The effective average interest rate on the liabilities for finance lease agreements at 31 December 2023 is 6.6% (6.4% at 31 December 2022).

### Financing linked to ESG (environmental, social and governance) targets

ESG-linked financing relates credit lines in Spain, the cost of which is linked to at least one of the following ESG indicators:

- Direct GHG emissions: three-year average reduction (Mt CO<sub>2</sub>/GWh)
- CO<sub>2</sub> intensity of electricity generation: three-year average reduction (tCO<sub>2</sub>/GWh)
- Water consumption: three-year average reduction (hm<sup>3</sup>)
- Women in management positions (%)

The adjustment to the cost of debt is linked to the level of compliance with the above metrics and their variation against the previous year's indicators.

These credit lines, amounting to Euros 4,946 million, have not been drawn down and therefore the impact of the degree of compliance with these indicators on the financial cost is immaterial.

In addition, the terms of said financing do not indicate the existence of an embedded derivative that needs to be separated.

## Note 18. Risk management and derivative financial instruments

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

- Guaranteeing that the most significant risks are correctly identified, evaluated and managed.
- Appropriately segregating risk management functions at the operating level.
- Ensuring that the level of risk exposure assumed by Naturgy in its business is in line with the objective global risk profile and with the achievement of its annual and strategic objectives.
- Ensuring the appropriate determination and review of the risk profile in accordance with the Global Risk Control and Management Policy and the Risk Appetite of Naturgy, approved by the Board of Directors, proposing global limits by risk category and the allocation thereof among the Business and Corporate units.

## Interest rate risk

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

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

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

The financial debt structure at 31 December 2023 and 2022 (Note 17), after taking into account the hedges arranged through derivatives, is as follows:

	<b>31.12.2023</b>	31.12.2022
Fixed interest rate	11,940	13,050
Floating interest rate	4,030	3,251
<b>Total</b>	<b>15,970</b>	<b>16,301</b>

The floating interest rate is mainly subject to the fluctuations of the EURIBOR and the indexed rates of Mexico, Brazil, Argentina and Chile.

The sensitivity of results and equity (Other equity items) to interest rate fluctuations is as follows:

	Increase/decrease in interest rates (basis points)	Effect on profit before tax	Effect on equity before tax
<b>2023</b>	+50	(20)	46
	-50	20	(46)
2022	+50	(16)	47
	-50	16	(47)

Following the outbreak of the Ukraine conflict, the European Central Bank decided to reduce its bond-buying stimulus plan launched in March 2020 in response to rising inflation and to raise euro zone interest rates in July 2022 for the first time in over a decade. This first increase was followed by successive rate hikes, the latest being in September 2023 when the European Central Bank raised the three official interest rates by 25 basis points, with the aim of bringing inflation back to 2% in the medium term. As a result, the interest rate on the main refinancing operations increased to 4.50%. Further increases may increase the cost of debt. In any event, Naturgy's variable rate debt at 31 December 2023 represents only 25% of the total (20% at 31 December 2022).

## Exchange rate risk

Variations in exchange rates can affect the fair value of:

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

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

For open positions, risks in non-functional currencies are managed, where considered necessary, through financial swaps and foreign exchange fluctuation insurance within the limits approved for hedging instruments.

The non-Euro currency with which Naturgy operates most is the US Dollar. The sensitivity of Naturgy's profits and equity (Other equity items) to a 5% variation (increase or decrease) in the US dollar/euro exchange rate for the derivatives it holds is as follows:

	Effect on profit before tax		Effect on equity before tax
<b>2023</b>	+5%	—	16
	-5%	—	(18)
2022	+5%	—	3
	-5%	—	(4)

Additionally, net assets of foreign companies that have a non-euro functional currency are subject to foreign exchange risk when their financial statements are translated to euros during the consolidation process. Exposure to risk countries where there is more than one exchange rate is immaterial.

Naturgy's equity at 31 December 2023 in Argentine pesos amounts to Euros 115 million (Euros 157 million at 31 December 2022). The pre-tax effect on equity of a 5% change in the Argentine peso/euro exchange rate would amount to Euros 6 million (Euros 8 million as at 31 December 2022).

### Commodity price risk

A significant proportion of Naturgy's operating profits are linked to the purchase of gas for supplying a diversified portfolio of customers.

These gas supply contracts are mostly signed on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives and natural gas hubs.

However, selling prices to final customers are generally agreed on a short/medium term basis and are conditioned by the supply/demand balance existing at a given time in the gas market. This may imply a decoupling from gas supply prices.

Therefore, Naturgy is exposed to the risk of gas supply price fluctuations with respect to the selling price to end customers. Exposure to this risk is managed and mitigated by natural hedging, seeking to balance the commodity exposures of both prices. In addition, some supply contracts allow this exposure to be managed through volume flexibility and repricing mechanisms.

When it is not possible to achieve a natural hedge the position is managed, within reasonable risk parameters, through financial derivatives to reduce exposure to price decoupling risk, generally through hedging instruments. However, ineffectiveness in these hedges could be caused by changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged and a decoupling from the indices hedged in the purchase and sale transactions.

In the integrated electricity businesses, the Group's aggregate exposure is determined by the strategic generation/supply positioning and by the final sales pricing policies in electricity supply.

Raw materials prices increased significantly throughout 2022 due to the energy crisis resulting from the shortage of raw materials caused by the international blockade of Russia, although during 2023 prices stabilised with a moderate degree of volatility.

Lastly, the Group is exposed to fluctuations in the price of CO2 emission allowances due to the purchase of allowances intended for generation in its combined cycle plants and additionally to occasional investments from its cash surpluses in CO2-linked notes.

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

	Increase/decrease in gas price	Effect on profit before tax	Effect on equity before tax
<b>2023</b>	+10%	—	(73)
	-10%	—	73
2022	+10%	—	(303)
	-10%	—	303

	Increase/decrease in electricity price	Effect on profit before tax	Effect on equity before tax
<b>2023</b>	+10%	(3)	(87)
	-10%	2	87
2022	+10%	—	(129)
	-10%	—	129

Naturgy does not have any material investments in upstream businesses or raw materials production.

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

- Gas and electricity distribution: this is a regulated activity with revenue and profit margins are linked to distribution infrastructure management services rendered, irrespective of the prices of the commodities distributed.
- Gas and electricity: profit margins on gas and electricity supply activities are directly affected by commodity prices. In this regard, Naturgy has a risk policy that stipulates the tolerance range, based on applicable risk limits, among other aspects. Measures employed to keep risk within the stipulated limits include active supply management, balanced acquisitions and sales formulae, and specific hedging so as to maximise the risk-profit relationship. Supplementary to the above-mentioned policy, Naturgy has mechanisms for ordinary and extraordinary price reviews, by means of the relevant clauses, with a large part of its supply portfolio. These clauses allow, in the medium term, the modulation of impacts in the event of any decoupling between Naturgy's selling prices in its markets and the evolution of prices in its supply portfolio.

## Credit risk

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

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

With regard to credit risk in relation to trade receivables, these are reflected in the consolidated balance sheet net of provisions for impairment due to expected credit losses (Note 10) estimated by Naturgy on the basis of available information on past events (such as customer payment behaviour), current conditions and forward-looking factors (e.g. macroeconomic factors such as GDP, inflation, interest rates, etc.) that might impact the credit risk of Naturgy's debtors in accordance with the prior segregation of customer portfolios.

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

With respect to other exposures to counterparties in transactions involving financial derivatives and the investment of cash surpluses, credit risk is mitigated by carrying out such operations with reputable financial institutions in line with internal requirements. No significant defaults or losses arose in 2023 or 2022.

The main guarantees negotiated are bank guarantees, guarantees and deposits. At 31 December 2023, Naturgy had received guarantees totalling Euros 682 million to cover the risk of large industrial customers (Euros 669 million at 31 December 2022). In 2023, bank guarantees worth less than one million euro were enforced (Euros 11 million at 31 December 2022).

At 31 December 2023 and 2022 Naturgy did not have significant concentrations of credit risk. The risk of concentration is minimised through diversification, managing and combining various areas of impact. Firstly, by having a customer base that is broadly distributed on an international scale; secondly, a diverse product range, from energy supply to the implementation of tailored energy solutions; thirdly, there are different customer types, such as residential customers, self-employed entrepreneurs and small and large businesses in both the public and private sectors and in varying segments of the economy.

An ageing analysis of financial assets and related expected losses at 31 December 2023 and 31 December 2022 is set out below:

<b>31.12.2023</b>	<b>Total</b>	<b>Current</b>	<b>0-180 days</b>	<b>180-360 days</b>	<b>More than 360 days</b>
Expected loss ratio	24.6%	1.1%	17.5%	86.6%	97.1%
Trade receivables for sales and provisions of services	3,698	2,441	394	217	646
Expected loss	910	26	69	188	627
<b>31.12.2022</b>	<b>Total</b>	<b>Current</b>	<b>0-180 days</b>	<b>180-360 days</b>	<b>More than 360 days</b>
Expected loss ratio	14.3%	0.9%	19.0%	78.5%	92.2%
Trade receivables for sales and provisions of services	6,009	4,716	485	163	645
Expected loss	857	42	92	128	595

Movements in the expected loss provision are disclosed in Note 10.

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

At 31 December 2023, Naturgy has updated its credit risk management model based on economic forecasts in the main countries in which it operates, taking into account various factors including the war in Ukraine and the conflict between Israelis and Palestinians following the terrorist attack on Israel in October 2023, although the Group's annual accounts have not been materially impacted by changes in its debtors' payment behaviour.

## Liquidity risk

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

Available cash resources at 31 December 2023 and 2022 are analysed below:

<b>Liquidity source</b>	<b>Availability 2023</b>	<b>Availability 2022</b>
Undrawn credit facilities (Note 17)	5,551	5,497
Cash and cash equivalents (Note 13)	3,686	3,985
<b>Total</b>	<b>9,237</b>	<b>9,482</b>

There is also additional unused capacity to issue debt in capital markets amounting to Euros 6,099 million (Euros 5,458 million at 31 December 2022) (Note 17).



The breakdown of the maturities of the financial liabilities at 31 December 2023 and 2022 is as follows:

	2024	2025	2026	2027	2028	2029 and later years	Total
<b>31.12.2023</b>							
Trade and other payables (Note 20)	3,721	—	—	—	—	—	3,721
Loans and other financial payables (1)	3,108	3,075	4,586	2,501	1,919	5,996	21,185
Financial derivatives	5	1	—	—	—	—	6
<b>Total</b>	<b>6,834</b>	<b>3,076</b>	<b>4,586</b>	<b>2,501</b>	<b>1,919</b>	<b>5,996</b>	<b>24,912</b>

	2023	2024	2025	2026	2027	2028 and later years	Total
<b>31.12.2022</b>							
Trade and other payables (Note 20)	6,562	—	—	—	—	—	6,562
Financial liabilities (1)	2,636	2,995	3,026	4,289	1,548	6,128	20,622
Financial derivatives	25	—	—	—	—	—	25
<b>Total</b>	<b>9,223</b>	<b>2,995</b>	<b>3,026</b>	<b>4,289</b>	<b>1,548</b>	<b>6,128</b>	<b>27,209</b>

(1) Includes cash flows related to financial liabilities, principal repayments and interest payments accruing each year, broken down by maturity. Does not include financial derivatives.

In an international context that is deeply influenced by the war in Ukraine and the current conflicts, and within the framework of the Group's financial policy, the Naturgy has maintained the availability of funds to meet its obligations and to implement its business plans, guaranteeing at all times the optimum level of liquid resources and seeking to maximise efficiency in the management of financial resources.

## Capital management

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

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

Naturgy's long-term credit rating is as follows:

	2023	2022
Standard & Poor's	BBB (*)	BBB (**)
Fitch	BBB (*)	BBB (**)

(\*) S&P:Stable outlook; Fitch: Stable outlook

(\*\*) S&P:Negative outlook; Fitch: Stable outlook

The leverage ratio is as follows:

	2023	2022
<b>Net borrowings:</b>	<b>12,090</b>	<b>12,070</b>
Non-current borrowings (Note 17)	13,426	13,999
Current borrowings (Note 17)	2,544	2,302
Cash and cash equivalents (Note 13)	(3,686)	(3,985)
Derivatives financial assets linked to financial liabilities (Note 18)	(194)	(246)
<b>Equity:</b>	<b>11,929</b>	<b>9,979</b>
Equity attributed to the parent company (Note 14)	9,448	7,574
Non-controlling interests (Note 14)	2,481	2,405
<b>Leverage (Net borrowings / (Net borrowings + Equity))</b>	<b>50.3%</b>	<b>54.7%</b>

## Derivative financial instruments

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

	31.12.2023		31.12.2022	
	Assets	Liabilities	Assets	Liabilities
<b>Hedging derivative financial instruments</b>	<b>205</b>	<b>178</b>	<b>332</b>	<b>1,664</b>
Interest rate hedges				
Cash flow hedges	78	—	150	—
Interest and exchange rate hedges				
Cash flow hedges	—	—	—	—
Exchange rate hedges				
Cash flow hedges	4	1	2	—
Price of commodities hedges				
Cash flow hedges	123	177	180	1,664
<b>Other financial instruments</b>	<b>11</b>	<b>—</b>	<b>37</b>	<b>—</b>
Price of commodities	—	—	37	—
Interest rate	11	—	—	—
<b>Derivative financial instruments – non current</b>	<b>216</b>	<b>178</b>	<b>369</b>	<b>1,664</b>
<b>Hedging derivative financial instruments</b>	<b>98</b>	<b>313</b>	<b>238</b>	<b>1,585</b>
Interest rate hedges				
Cash flow hedges	68	—	46	—
Interest and exchange rate hedges				
Cash flow hedges	—	—	—	25
Exchange rate hedges				
Cash flow hedges	18	5	16	1
Fair value hedges	1	5	2	5
Price of commodities hedges				
Cash flow hedges	11	303	174	1,554
<b>Other financial instruments</b>	<b>55</b>	<b>19</b>	<b>66</b>	<b>64</b>
Price of commodities	40	19	34	64
Interest rate	15	—	32	—
<b>Derivative financial instruments current</b>	<b>153</b>	<b>332</b>	<b>304</b>	<b>1,649</b>
<b>Total</b>	<b>369</b>	<b>510</b>	<b>673</b>	<b>3,313</b>

The fair value of derivatives is determined based on the quoted price in an active market (Level 1) and observable variables in an active market (Level 2).

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

At 31 December 2023, asset derivatives linked to financial liabilities amount to Euros 194 million (31 December 2022: Euros 246 million) relating to:

- interest rate derivatives amounting to Euros 89 million in non-current assets and Euros 83 million in current assets (Euros 150 million in non-current assets and Euros 78 million in current assets at 31 December 2022).
- cash flow exchange rate hedging derivatives amounting to Euros 4 million in non-current assets and Euros 18 million in current assets (Euros 2 million in non-current assets and Euros 16 million in current assets at 31 December 2022).

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

	2023		2022	
	Operating results	Financial results	Operating results	Financial results
Cash flow hedge (1)	(2)	53	(5,818)	(20)
Fair value hedge	(16)	(6)	(26)	(3)
Other financial instruments	4	(3)	(35)	6
<b>Total</b>	<b>(14)</b>	<b>44</b>	<b>(5,879)</b>	<b>(17)</b>

(1) In 2022, "Net sales" included Euros -767 million due to ineffectiveness in gas sales hedging derivatives caused by the decoupling with respect to the indexes hedged in the sales transactions, most of these derivative financial instruments having matured during 2023. The ineffectiveness linked to gas sales hedging derivatives pending maturity at December 31, 2023 amounts to Euros -36 million. In addition, in 2023 this item includes Euros -28 million (Euros -5 million in 2022) for ineffectiveness in hedging arrangements for electricity sales in long-term contracts.

At December 31, 2023, the derivatives valuation causing ineffectiveness is a negative sum of Euros 187 million, of which the effective part is recognized in "Other equity components" with an amount of Euros 123 million (Euros 1,976 million and Euros 1,209 million in 2022, respectively) (Note 2.4.8).

The breakdown of derivatives at 31 December 2023 and 2022, their fair value and maturities of their notional values is as follows:

(million euros)	Fair value	31.12.2023							Total
		Notional value							
		2024	2025	2026	2027	2028	Subsequent years		
<b>INTEREST RATE HEDGES:</b>									
Cash flow hedges:									
Financial swaps (EUR)	62	77	505	55	336	185	37	1,195	
Financial swaps (USD)	43	2	2	647	2	2	22	677	
Financial swaps (MXN)	5	—	—	95	—	—	—	95	
Financial swaps (AUD)	36	5	5	4	5	5	243	267	
Options (EUR)	—	—	—	—	—	—	—	—	
<b>EXCHANGE RATE HEDGES:</b>									
Cash flow hedges:									
Foreign exchange insurance (USD)	10	306	125	—	—	—	—	431	
Foreign exchange insurance (AUD)	6	482	26	—	—	—	—	508	
Fair value hedges:									
Foreign exchange insurance (BRL)	—	16	—	—	—	—	—	16	
Foreign exchange insurance (EUR) (1)	—	14	—	—	—	—	—	14	
Foreign exchange insurance (USD)	(4)	104	—	—	—	—	—	104	
<b>INTEREST AND EXCHANGE RATE HEDGES:</b>									
Cash flow hedges:									
Financial swaps (NOK)	—	—	—	—	—	—	—	—	
<b>COMMODITIES HEDGES:</b>									
Cash flow hedges:									
Commodities price derivatives (EUR)	(61)	212	34	—	—	—	—	246	
Commodities price derivatives (USD)	(264)	455	511	211	24	24	145	1,370	
Commodities price derivatives (AUD)	(21)	62	102	115	113	114	953	1,459	
<b>OTHER:</b>									
Commodities price derivatives (EUR)	(6)	1	—	—	—	—	—	1	
Commodities price derivatives (USD)	31	43	—	—	—	—	—	43	
Commodities price derivatives (AUD)	(4)	4	—	—	—	—	—	4	
Financial swaps (USD)	26	71	5	6	7	7	107	203	
<b>Total</b>	<b>(141)</b>	<b>1,854</b>	<b>1,315</b>	<b>1,133</b>	<b>487</b>	<b>337</b>	<b>1,507</b>	<b>6,633</b>	

(1) Arranged by companies using a functional currency other than the euro.

	<b>31.12.2022</b>							
								Notional value
	Fair							
(million euros)	value	2022	2023	2024	2025	2026	Subsequent years	Total
<b>INTEREST RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (EUR)	93	196	77	505	55	336	222	1,391
Financial swaps (USD)	59	—	2	2	671	2	25	702
Financial swaps (MXN)	5	—	—	—	85	—	—	85
Financial swaps (AUD)	39	4	4	4	3	5	191	211
Options (EUR)	—	40	—	—	—	—	—	40
<b>EXCHANGE RATE HEDGES:</b>								
Cash flow hedges:								
Foreign exchange insurance (USD)	2	154	—	—	—	—	—	154
Foreign exchange insurance (AUD)	14	160	85	—	—	—	—	245
Fair value hedges:								
Foreign exchange insurance (BRL)	—	15	—	—	—	—	—	15
Foreign exchange insurance (EUR) (1)	—	7	—	—	—	—	—	7
Foreign exchange insurance (USD)	(2)	117	—	—	—	—	—	117
<b>INTEREST AND EXCHANGE RATE HEDGES:</b>								
Cash flow hedges:								
Financial swaps (NOK)	(25)	101	—	—	—	—	—	101
<b>COMMODITIES HEDGES:</b>								
Cash flow hedges:								
Commodities price derivatives (EUR)	(17)	529	33	15	—	—	—	577
Commodities price derivatives (USD)	(2,562)	351	475	517	201	8	85	1,637
Commodities price derivatives (AUD)	(285)	58	91	113	114	115	1,143	1,634
<b>OTHER:</b>								
Commodities price derivatives (EUR)	(30)	7	—	—	—	—	—	7
Commodities price derivatives (USD)	37	—	37	—	—	—	—	37
Financial swaps (USD)	32	215	—	—	—	—	—	215
<b>Total</b>	<b>(2,640)</b>	<b>1,954</b>	<b>804</b>	<b>1,156</b>	<b>1,129</b>	<b>466</b>	<b>1,666</b>	<b>7,175</b>

(1) Arranged by companies using a functional currency other than the euro.

Details of commodity derivatives and volumes (in physical units) by maturity at 31 December 2023 and 2022 are as follows:

<b>31.12.2023</b>	Fair value (Euros million)	Physical units						Subsequent years	Total
		2024	2025	2026	2027	2028			
Procurements hedges									
Gas (TBTU)	(100)	113	86	28	—	—	—	227	
Electricity (GWh)	(25)	933	149	—	—	—	—	1,082	
Sales hedges									
Gas (TBTU)	(179)	60	63	28	—	—	—	151	
Electricity (GWh)	(42)	1,513	3,037	3,672	3,649	3,645	27,884	43,400	
Others (non hedge)	21	—	—	—	—	—	—	—	
<b>Total</b>	<b>(325)</b>								

31.12.2022	Fair value (Euros million)	Physical units						Subsequent years	Total
		2023	2024	2025	2026	2027			
Procurements hedges									
Gas (TBTU)	196	129	106	85	28	—	—	—	348
Electricity (GWh)	23	448	193	149	—	—	—	—	790
Sales hedges									
Gas (TBTU)	(2,819)	83	59	63	28	—	—	—	233
Electricity (GWh)	(264)	1,542	2,699	3,241	3,240	3,239	30,694	—	44,655
Others (non hedge)	7	—	—	—	—	—	—	—	—
<b>Total</b>	<b>(2,857)</b>								

## Note 19. Other current and non-current liabilities

The breakdown of this heading at 31 December 2023 and 2022 is as follows:

	31.12.2023	31.12.2022
Deposits and guarantees deposits	229	227
Derivative financial instruments ( Note 18)	177	1,664
Other liabilities	227	209
<b>Other non-current liabilities</b>	<b>633</b>	<b>2,100</b>
Dividends payable	39	14
Expenses accrued pending payment	161	162
Other liabilities	82	39
<b>Other current liabilities</b>	<b>282</b>	<b>215</b>
<b>Total other liabilities</b>	<b>915</b>	<b>2,315</b>

There are no significant differences between the carrying values and the fair values of the items in the account "Other non-current liabilities".

The heading "Deposits and guarantees deposits" basically includes amounts received from customers under contracts for the supply of electricity and natural gas, deposited with the competent Public Administrations (Note 9) as stipulated by law, and amounts received from customers to secure supplies of liquefied natural gas.

"Derivative financial instruments" includes the non-current market value of the certain power purchase agreements (PPA) by Australian subsidiaries amounting to Euros 51 million (Euros 264 million at 31 December 2022) and US subsidiaries amounting to Euros 21 million. The PPAs are concluded with the government of the state in which they operate or with private companies, and they hedge the forward sale price of electricity for a given volume of MWh and a given time period. It also includes operating gas price hedging derivatives in the amount of Euros 105 million at 31 December 2023 (Euros 1,400 million at 31 December 2022).

At 31 December 2023 "Other liabilities" includes the balancing entry for receivables in Brazil due to the inclusion of the "Imposto sobre Operações relativas à Circulação de Mercadorias e Prestação de Serviços de Transporte Interestadual e Intermunicipal e de Comunicação (ICMS)" in the PIS and COFINS assessment base described in Note 10 amounting to Euros 122 million (31 December 2022: Euros 101 million).

In addition, at 31 December 2023 the non-current balance of "Other liabilities" includes Euros 54 million and the current balance of "Other liabilities" includes Euros 11 million associated with negative market price variances at specific Renewable Generation facilities (Note 2.4.25.j). These balances include Euros 18 million euros with no effect on the consolidated income statement as they arise from the business combination consisting of the acquisition of ASR Wind (Note 32).

“Other liabilities” also includes Euros 19 million non-current and Euros 17 million current in respect of the levelling of the term of the service contracts for the assignment of electricity generation capacity with the Mexican Federal Electricity Commission (contract liabilities) (Euros 29 million non-current at 31 December 2022).

## Note 20. Trade and other payables

The breakdown at 31 December 2023 and 2022 is as follows:

	<b>31.12.2023</b>	31.12.2022
Trade payables	2,751	4,455
Trade payables with related parties (Note 34)	5	16
<b>Trade payables</b>	<b>2,756</b>	<b>4,471</b>
<b>Derivative financial instruments (Note 18)</b>	<b>327</b>	<b>1,624</b>
Public Administrations	412	331
Accrued wages and salaries	95	76
Other payables	7	7
<b>Other payables</b>	<b>514</b>	<b>414</b>
<b>Current tax liabilities</b>	<b>124</b>	<b>53</b>
<b>Total</b>	<b>3,721</b>	<b>6,562</b>

The fair value and carrying value of these liabilities do not differ significantly.

“Derivative financial instruments” includes the market value of the Australian subsidiaries' power purchase agreements amounting to Euros 23 million at 31 December 2023 (Euros 21 million at 31 December 2022) and the US subsidiaries amounting to Euros 6 million (Note 19). It also mainly includes commodities price derivatives in the amount of Euros 293 million at 31 December 2023 (Euros 1,597 million at 31 December 2022).

### Information on the average supplier payment period

The average payment period is calculated in accordance with Law 15/2010 on measures to combat late payment in business operations and the changes brought in under Law 18/2022 of 28 September on the formation and growth of companies.

In accordance with the above regulations, the information to be included in the consolidated annual accounts in relation to the average payment period to suppliers in commercial operations is as follows:

	<b>2023</b>	2022
Total payments (million euro)	16,518	26,206
Total outstanding payments (million euro)	511	994
Average supplier payment period (days) (1)	21	18
Transactions paid ratio (days) (2)	21	18
Transactions pending payment ratio (days) (3)	28	21
Total payments within the period established in the delinquency regulations (Euros million)	16,426	26,087
% of the amount paid within the period established in the delinquency regulations with respect to the total amount paid	99.44 %	99.55 %
Number of invoices paid within the period established in the delinquency regulations	25,084,920	21,308,793
% of invoices paid within the period established in the delinquency regulations with respect to the total invoices paid	98.80 %	99.80 %

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

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

(3) Average age, suppliers pending payment balance

## Note 21. Tax situation

Naturgy Energy Group, S.A. is the parent of Tax Consolidated Group 59/93, which includes all the companies resident in Spain that are at least 75% directly or indirectly owned by the parent company and that fulfil certain requirements, entailing the overall calculation of the group's taxable income, deductions and tax credits. The Tax Consolidated Group for 2023 is indicated in Appendix III.

The remaining Naturgy companies pay their taxes individually, in accordance with the schemes applicable to them.

Set out below is the reconciliation between corporate income tax recognised and the amount that would be obtained by applying the nominal tax rate in force in the parent company's country (Spain) to "Profit/(loss) before taxes" for 2023 and 2022:

	2023	%	2022	%
<b>Profit/(loss) before tax</b>	<b>3,042</b>		<b>2,546</b>	
<b>Statutory tax</b>	<b>761</b>	<b>25.0%</b>	<b>637</b>	<b>25.0%</b>
Effect of net results under equity method	(23)	(0.8%)	(32)	(1.3%)
Application of tax rates of foreign companies	(91)	(3.0%)	40	1.6%
Tax deductions	(38)	(1.2%)	(20)	(0.8%)
Other items (1)	159	5.2%	72	2.8%
<b>Corporate income tax</b>	<b>768</b>	<b>25.2%</b>	<b>697</b>	<b>27.4%</b>

### Breakdown of current/deferred expense:

Current-year tax	736	775
Deferred tax	32	(78)
<b>Corporate income tax</b>	<b>768</b>	<b>697</b>

(1) In 2023 "Other items" relates mainly to the non-deductibility of the energy tax (Note 26), the non-deductibility of the goodwill impairment recorded in Thermal Generation Mexico (Notes 4 and 5) and the non-deductibility of 5% of dividends. In 2022 it mainly related to the non-deductibility of 5% of dividends.

Income qualifying for the tax scheme for transfers of assets made in compliance with competition law (Additional Provision 4 of the revised CIT Act) and the investments in which it has been used in prior years are explained below:

Year of the sale	Amount obtained on the sale	Amount reinvested	Capital gain	Capital gain included in tax base	Capital gain pending inclusion in tax base
2002	917	917	462	20	442
2003	141	141	79	—	79
2004	292	292	177	11	166
2005	432	432	300	2	298
2006	310	310	226	—	226
2007	105	105	93	—	93
2009	161	161	87	—	87
2010	790	790	556	—	556
2011	468	468	394	2	392
2012	38	38	32	—	32
<b>Total</b>	<b>3,654</b>	<b>3,654</b>	<b>2,406</b>	<b>35</b>	<b>2,371</b>

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



The breakdown of the tax effect relating to each component of “Other comprehensive income” of the Consolidated Statement of Comprehensive Income for the year is as follows:

	31.12.2023			31.12.2022		
	Gross	Tax effect	Net	Gross	Tax effect	Net
Fair value measurement of assets through other comprehensive income	—	—	—	—	—	—
Cash flow hedges	1,716	(243)	1,473	1,449	(230)	1,219
Currency translation differences	(87)	—	(87)	3	—	3
Actuarial gains and loss (Note 17)	(47)	12	(35)	97	(24)	73
<b>Total</b>	<b>1,582</b>	<b>(231)</b>	<b>1,351</b>	<b>1,549</b>	<b>(254)</b>	<b>1,295</b>

Set out below is an analysis of and movements in deferred taxes:

Deferred income tax assets	Provisions for employee benefit obligations	Provision for bad debts and other provisions	Tax credits (1)	Amortisation differences	Financial instrument and asset valuation	Other	Total
<b>01.01.2022</b>	<b>277</b>	<b>785</b>	<b>120</b>	<b>419</b>	<b>568</b>	<b>98</b>	<b>2,267</b>
Charged/(credited) to income statement	(29)	113	(19)	1	—	(3)	<b>63</b>
Business Combinations (Note 32)	—	—	—	1	—	—	<b>1</b>
Movements related to equity adjustments	(24)	—	—	—	(232)	—	<b>(256)</b>
Currency translation differences	2	7	1	5	59	(1)	<b>73</b>
Transfers and other	—	24	—	70	—	(32)	<b>62</b>
<b>31.12.2022</b>	<b>226</b>	<b>929</b>	<b>102</b>	<b>496</b>	<b>395</b>	<b>62</b>	<b>2,210</b>
Charged/(credited) to income statement	(16)	(16)	3	(23)	—	22	<b>(30)</b>
Business combinations (Note 32)	—	4	6	—	—	3	<b>13</b>
Movements related to equity adjustments	12	—	—	—	(295)	—	<b>(283)</b>
Currency translation differences	1	(13)	(3)	12	(6)	(6)	<b>(15)</b>
Transfers and other	—	(13)	17	(10)	—	30	<b>24</b>
<b>31.12.2023</b>	<b>223</b>	<b>891</b>	<b>125</b>	<b>475</b>	<b>94</b>	<b>111</b>	<b>1,919</b>

(1) At 31 December 2023 and 2022 the tax credits mainly relate to unused deductions. The recovery of these credits is reasonably assured as they are not subject to any time limit and pertain to companies that historically generate recurring profits.

Deferred income tax liabilities	Amortisation differences	Deferred gains	Business combination valuation (1)	Financial instrument and asset valuation	Other	Total
<b>01.01.2022</b>	<b>520</b>	<b>207</b>	<b>619</b>	<b>108</b>	<b>333</b>	<b>1,787</b>
Charged/(credited) to income statement	34	—	(27)	—	(22)	<b>(15)</b>
Business combinations (Note 32)	—	—	4	—	37	<b>4</b>
Movements related to equity adjustments	—	—	—	6	—	<b>6</b>
Currency translation differences	18	—	16	6	12	<b>52</b>
Transfers and other	78	—	(2)	(1)	42	<b>117</b>
<b>31.12.2022</b>	<b>650</b>	<b>207</b>	<b>610</b>	<b>119</b>	<b>365</b>	<b>1,951</b>
Charged/(credited) to income statement	17	—	(37)	—	22	<b>2</b>
Business combinations (Note 32)	—	—	128	—	14	<b>142</b>
Movements related to equity adjustments	—	—	—	(40)	—	<b>(40)</b>
Currency translation differences	(24)	—	(12)	(2)	(8)	<b>(46)</b>
Transfers and other	10	—	3	—	(6)	<b>7</b>
<b>31.12.2023</b>	<b>653</b>	<b>207</b>	<b>692</b>	<b>77</b>	<b>387</b>	<b>2,016</b>

(1) The heading “Business combination valuation” mainly includes the tax effect of the portion of the merger difference resulting from the absorption of Unión Fenosa, S.A. by Naturgy Energy Group, S.A. in 2009, allocated to net assets acquired, which will not have tax effects. It also includes the tax effect of the allocation of the acquisition price of CGE by Naturgy in 2014 and of various prior acquisitions completed by CGE.

Tax credits yet to be recognised totalled Euros 12 million at 31 December 2023 (Euros 41 million at 31 December 2022).

In July 2021 tax inspection proceedings were instigated against nine companies in Group 59/93 in relation to corporate income tax and the same companies in Group 273/08 with respect to VAT. These proceedings are partial in nature in both taxes, the object of the verification being limited to certain aspects of the tax obligation. The periods under inspection for corporate income tax purposes (tax consolidation regime) are 2016 to 2019 and for VAT purposes (corporate group regime) from September 2017 to December 2020.

The companies that were notified of the instigation of inspection proceedings were: Naturgy Energy Group, S.A., Naturgy Informática, S.A., UFD Distribución de Electricidad, S.A., Naturgy Iberia, S.A, Gas Natural Comercializadora, S.A., Naturgy Generación, S.L., Naturgy Renovables, S.L., GPG Ingeniería y Desarrollo de Generación, S.L. and Naturgy Engineering, S.L. However, This notification interrupts the limitation period for assessing the taxes for the periods mentioned above with respect to the entire tax group for corporate income tax purposes and the VAT group for VAT purposes.

In addition, within the same inspection procedure notice was received of the commencement of verification proceedings, also of a partial nature, in respect of personal income tax withholdings and payments on account of earned income. The inspection covers periods from September 2017 to December 2020.

During 2022 the scope of the above inspection proceedings was extended to include Naturgy Aprovisionamientos, S.A. for the same taxes and periods. Naturgy Energy Group, S.A. was also notified of the commencement of inspection proceedings against Naturgy Energy Group, S.A. in respect of withholdings and payments on account of investment income received by non-resident entities, for the period April 2018 to December 2020.

In March 2023, tax assessments for group value added tax and personal income tax withholdings were agreed and signed, resulting in an adjustment of Euros 0.2 million and Euros 1.2 million, respectively, including both tax and interest. This amount was fully provisioned and was paid in May 2023 within the statutory deadline.

In May 2023, tax assessments for corporate income tax were agreed and signed, resulting in an adjustment of Euros 36 million (Euros 31 million in tax and Euros 5 million in interest). This amount was fully provisioned and was paid in July 2023 within the statutory deadline.

In July 2023 an assessment was contested relating to withholdings and payments on account from investment income paid to non-resident entities which, at the date of issue of these consolidated annual accounts, has been appealed against before the Central Economic-Administrative Court (Note 36).

Concerning tax-related appeals, on 29 September 2022 the ruling was received from the Central Economic-Administrative Court (TEAC) on an appeal against the tax assessments resulting from an inspection on corporate income tax for the periods 2011-2015, which were contested and which basically regularised the deduction for international double taxation. The TEAC rejected the appeal in its entirety and an administrative appeal was lodged against that ruling before the National High Court. At the date of authorisation for issue of these consolidated annual accounts all the formalities have been completed at the National High Court, except for setting a date for the vote and judgement procedure. The enforceability of the ruling has been suspended and the tax liability, which including accrued late payment interest totals Euros 19 million, has been fully provided for under "Provisions" (Note 16).

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

In general, the other Naturgy companies are open to inspection for the following periods:

Country	Period
Argentina	2018-2023
Brazil	2019-2023
Chile	2018-2023
Mexico	2018-2023
Panama	2017-2023

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

Naturgy assesses uncertain tax treatments and reflects the effect of uncertainty on taxable income (losses), tax bases, and unused tax losses or tax credits. Naturgy has adequate coverage for possible obligations deriving from a number of tax claims. There are no lawsuits or uncertain tax treatments which are individually significant.

The National Budget Law for 2022 approved the amendment of Corporate Income Tax Law 27/2014, establishing a minimum tax rate of 15% of taxable income. This change has not affected Naturgy's corporate income tax assessment for 2022, nor is it expected to have any impact in subsequent years as the deductions applied do not entail a reduction in the effective tax rate below said rate.

Anticipating the implementation of the rules included in OECD Pillar Two, Directive (EU) 2022/2523 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union was adopted on 14 December 2022. The rules laid down by this Directive, which have yet to be transposed by Member States, will apply to financial years beginning on or after 31 December 2023 and establish a minimum taxation of 15% for all group companies in each country in which the group operates. If in any country the minimum 15% rate is not complied with, the difference must be paid in the country of residence of the parent company, Spain in our case. The impact of these regulations on the Group is considered insignificant (Note 2.2), as taxation in the various jurisdictions in which the Group operates is almost always above an effective rate of 15%.

On December 28, 2022, the Official State Gazette published Law 38/2022, among others, the Temporary Energy Levy is approved to deal with the energy cost overruns that the whole economy must bear as a consequence of the extraordinary circumstances produced by the war between Russia and Ukraine and the volatility of energy markets. This levy must be paid by the main operators in the various energy sectors. If the principal operator is part of a tax group, the extraordinary charge is 1,2% of the net amount of the turnover of the tax group and it is established that the amounts corresponding to regulated activities shall be eliminated.

This tax is considered to be a non-taxable public service, and therefore its accounting as a tax shall take place on 1 January 2023, 2024 and 2025, in so far as they are the due dates thereof, and for the entire annual amount payable. The energy charge has been paid in the year 2023 on the basis of the amounts for the year 2022 and in the year 2024 it will be based on the amounts for the year 2023, practising a partial income of 50% between 1 and 20 February and the definitive income between 1 and 20 September. The amount paid by the Naturgy Energy Group, S.A. for this purpose was 165 million euros in 2023, and the other companies in the tax group were distributed on the basis of the net amount of the turnover of each of them. As of the date of preparation of these annual accounts, the Tax Agency has communicated the start of partial tax inspection proceedings in relation to the energy tax.

Royal Decree Law 8/2023 of 27 December, published in the Official State Gazette on 28 December, extended the application of the tax until 2024, incorporating this year, through the General State Budget Law for 2024, an incentive that will be applicable to the parties liable to the temporary energy tax for strategic investments that are essential to the ecological transition in our country. These include energy storage, new renewable fuels (e.g. biogas, biomethane or green hydrogen) and their possible associated network infrastructures, and associated investments in the domestic or European value chain to contribute to energy autonomy, to be made as from 1 January 2024.

The same Royal Decree-Law announced the Government's intention to revise the tax so that it would become part of the Spanish tax system for all purposes, including the agreements with the Basque Country and Navarre autonomous regions.

The Group has analysed in depth the regulations governing the energy tax and has filed a complaint before the National High Court. It will also submit an application for a refund of incorrectly paid taxes for the amounts already paid in 2023 (in relation to 2022). This charge is treated as a tax and its accounting recognition must comply with IFRIC 21. It must therefore be recognised on 1 January 2023, 2024 and 2025 as these are the dates on which it accrues, at the full annual amount payable in each year.

Law 38/2022 also introduced an amendment to the tax consolidation regime with effects limited to fiscal year 2023, according to which the taxable base of groups taxed under the consolidation regime may only include 50% of individual tax losses, with the remaining 50% to be applied over the following ten years. The expected impact of this measure on corporate income tax for 2023 is a Euros 27 million increase in tax payable.

In addition to the change in the temporary energy tax mentioned above, Royal Decree Law 8/2023 of 27 December, published in the Official State Gazette of 28 December, brought in a number of other tax measures, including the following:

- Extension of the application of the reduced VAT rate of 10% to the supply of electricity to customers with an installed capacity of less than 10 kW or who are at risk of social exclusion, as well as to the supply of natural gas, pellets, briquettes and wood from biomass for heating systems.
- The suspension of the Tax on the Value of Electricity Production is gradually eliminated so that, in the calculation of the first quarter tax base, only 50% of the total to be received by the taxpayer for production and incorporation into the electricity system, measured in power plant busbars, will be taken into account. For the second quarter 75% of the amount will be applied and for the third and fourth quarters 100% of the tax base will be considered.
- The rate of the Special Electricity Tax will gradually be increased, such that in the first quarter of 2024 the applicable rate will be 2.5% and for the second quarter the rate will be 3.8%; from the third quarter onwards, the tax rate will return to the rate provided for in Law 38/1992 on Excise Duties, set at 5.11269632%.

On 18 January, the Constitutional Court issued a ruling declaring the unconstitutionality of several measures introduced in Corporate Income Tax by Royal Decree 3/2016, specifically, the tightening of the limits for the offsetting of negative tax bases, for the application of deductions for double taxation and the obligation to include in the taxable base the impairments of holdings that had been deducted in previous years. However, in that judgment, the temporal effects of unconstitutionality were limited, so that only companies or tax groups that had challenged their self-assessments of the tax before the date of the judgment could benefit from that unconstitutionality. On that date, the Naturgy Group had filed briefs challenging the Tax Group's self-assessments, for the years 2016 to 2020, so that it will be able to benefit from the effects of the declared unconstitutionality. This is considered to be after the end of the financial year. The impact that is not estimated to be material is currently being calculated and, in any case, will affect the 2024 financial year.

## Note 22. Net sales

The breakdown of this heading in the consolidated income statement for 2023 and 2022 is as follows, by category with the relevant operating segment reporting structure:

2023	Distribution Networks									Energy Markets						Rest	Total
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Total	Energy management	Thermal Generation	Renewable Generation	Supply	Holding and Eli.	Total		
Sales of gas and access to distribution networks	968	683	1,742	265	870	—	—	—	4,528	1,561	—	—	3,943	—	5,504	—	10,032
Sales of electricity and access to distribution networks	—	—	—	—	4	743	879	97	1,723	180	1,580	190	3,146	—	5,096	—	6,819
LNG sales	—	—	—	—	—	—	—	—	—	4,727	—	—	—	—	4,727	—	4,727
Registrations and facility checks	24	6	1	—	—	8	1	—	40	—	—	—	42	—	42	—	82
Assignment power generation capacity	—	—	—	—	—	—	—	—	—	—	321	—	—	—	321	—	321
Rentals meters and facilities	23	—	4	—	—	19	—	—	46	—	—	—	296	—	296	—	342
Other income	13	29	6	2	3	—	7	1	61	—	3	46	134	49	232	1	294
<b>Total</b>	<b>1,028</b>	<b>718</b>	<b>1,753</b>	<b>267</b>	<b>877</b>	<b>770</b>	<b>887</b>	<b>98</b>	<b>6,398</b>	<b>6,468</b>	<b>1,904</b>	<b>236</b>	<b>7,561</b>	<b>49</b>	<b>16,218</b>	<b>1</b>	<b>22,617</b>

2022	Distribution Networks									Energy Markets						Rest	Total
	Gas Spain	Gas Mexico	Gas Brazil	Gas Argentina	Gas Chile	Elec. Spain	Elec. Panama	Elec. Argentina	Total	Energy management	Thermal Generation	Renewable Generation	Supply	Holding and Eli.	Total		
Sales of gas and access to distribution networks	984	997	1,919	441	890	—	—	—	5,231	6,383	—	—	4,323	—	10,706	—	15,937
Sales of electricity and access to distribution networks	—	—	—	—	3	775	886	126	1,790	364	4,042	188	4,550	—	9,144	—	10,934
LNG sales	—	—	—	—	—	—	—	—	—	5,937	—	—	—	—	5,937	—	5,937
Registrations and facility checks	21	7	1	—	—	7	1	—	37	—	—	—	37	—	37	—	74
Assignment power generation capacity	—	—	—	—	—	—	—	—	—	—	343	—	—	—	343	—	343
Rentals meters and facilities	24	—	4	—	—	21	—	—	49	—	—	—	306	—	306	—	355
Other income	12	31	8	3	2	—	4	2	62	(6)	4	88	142	94	322	1	385
<b>Total</b>	<b>1,041</b>	<b>1,035</b>	<b>1,932</b>	<b>444</b>	<b>895</b>	<b>803</b>	<b>891</b>	<b>128</b>	<b>7,169</b>	<b>12,678</b>	<b>4,389</b>	<b>276</b>	<b>9,358</b>	<b>94</b>	<b>26,795</b>	<b>1</b>	<b>33,965</b>

## Reporting by geographical area

Naturgy's net sales by country of destination is analysed below:

	<b>2023</b>	2022
Spain	11,621	18,017
Rest of Europe	3,384	4,917
France	1,407	2,309
United Kingdom	570	687
Portugal	573	402
Greece	—	359
Italy	76	327
Poland	—	285
Netherlands	496	217
Croatia	71	149
Turkey	106	98
Other Europe	85	84
Latin American	6,046	7,578
Mexico	1,425	2,056
Brazil	1,776	2,043
Argentina	434	939
Chile	941	915
Panama	891	896
Puerto Rico	397	523
Dominican Republic	129	115
Other Latin America	53	91
Other	1,566	3,453
Thailand	157	894
South Korea	155	662
USA	458	623
China	448	509
India	114	348
Japan	180	341
Australia	18	30
Other countries	36	46
<b>Total</b>	<b>22,617</b>	<b>33,965</b>

In accordance with the treatment described in Note 2.4.17., "Revenue" for 2023 includes Euros -24 million as the net result of the positive and negative deviations recorded under the headings "Other non-current receivables" (Note 10) and "Other current and non-current liabilities" (Note 19) in the consolidated balance sheet. In 2022, income of Euros 8 million was recognised as a result of the reversal of the liability recognised in the previous year for this amount.

## Note 23. Procurements

The breakdown of this heading for 2023 and 2022 is as follows:

	2023	2022
Energy purchases	13,382	25,579
Access to transmission networks	1,390	1,328
Other purchases and changes in inventories	334	287
<b>Total</b>	<b>15,106</b>	<b>27,194</b>

In 2022 it included Euros 108 million relating to unpaid invoices claimed in connection with the provision for the litigation of the group company in Chile, Metrogas, S.A., described in Note 36.

## Note 24. Other operating income

The breakdown of this heading for 2023 and 2022 is as follows:

	2023	2022
Other management income	198	120
Concession construction or improvements services IFRIC 12 (1)	57	63
<b>Total</b>	<b>255</b>	<b>183</b>

(1) Estimated fair value by reference to the expenses incurred (Note 26), without any margin.

On 8 June 2023, the Supreme Court recognised the right of the group company, Comercializadora Regulada Gas and Power, to be compensated for the amounts paid for the financing of the electricity subsidy ("bono social") regulated by Royal Decree-Law 897/2017 of 6 October. At 31 December 2023, the heading "Other management income" includes Euros 64 million for this item.

## Note 25. Personnel expenses

The breakdown of this heading for 2023 and 2022 is as follows:

	2023	2022
Wages and salaries	452	451
Termination benefits	26	24
Social security costs	94	87
Defined contribution plans	27	24
Defined benefit plans (Note 16)	3	4
Share-based payments (Note 14)	5	7
Own work capitalised	(79)	(74)
Other	52	24
<b>Total</b>	<b>580</b>	<b>547</b>

The average number of Naturgy employees was 7,073 in 2023 and 7,210 in 2022, analysed by category as follows:

	2023	2022
Executives	104	110
Middle management	774	788
Specialists	4,246	4,132
Operational staff	1,949	2,180
<b>Total</b>	<b>7,073</b>	<b>7,210</b>



The average number of employees in the year with disability equal to or greater than 33% is as follows, by category:

	2023	2022
Executives	—	—
Middle management	5	6
Specialists	53	34
Operational staff	41	45
<b>Total</b>	<b>99</b>	<b>85</b>

The number of Naturgy employees at the end of 2023 and 2022 broken down by category, gender and geographical area, is as follows:

	2023			2022		
	Men	Women	Total	Men	Women	Total
Executives	76	27	103	82	27	109
Middle management	505	262	767	545	246	791
Specialists	2,616	1,692	4,308	2,566	1,589	4,155
Operational staff	1,434	398	1,832	1,591	466	2,057
<b>Total</b>	<b>4,631</b>	<b>2,379</b>	<b>7,010</b>	<b>4,784</b>	<b>2,328</b>	<b>7,112</b>

	2023	2022
Spain	4,061	4,024
Rest of Europe	22	23
Latin American	2,865	3,017
Rest	62	48
<b>Total</b>	<b>7,010</b>	<b>7,112</b>

The number of employees in joint venture operations is included on a pro-rata basis depending on the relevant percentage interest, with regard to both the calculation of the average number of employees and the calculation of the number of employees at year end. At 31 December 2023, the number of employees at year end of these entities stood at 148 (151 at 31 December 2022) and the average number of employees was 149 (153 at 31 December 2022).

In both the calculation of the number of employees at the year end and the calculation of the average number of employees, the employees of companies classified as discontinued operations (Note 11) and the employees of companies consolidated using the equity method have not been taken into account, in accordance with the following breakdown:

	2023		2022	
	Number of employees at year end	Average number of employees	Number of employees at year end	Average number of employees
Discontinued operations (1)	21	21	21	25
Equity-consolidated companies	54	55	55	56

(1) The employees included correspond to the coal generation activity in Spain, interrupted in 2020 (Note 11)

## Note 26. Other operating expenses

The breakdown of this heading for 2023 and 2022 is as follows:

	<b>2023</b>	2022
Taxes	510	338
Operation and maintenance	334	307
Advertising and other commercial services	99	100
Professional services and insurance	143	122
Concession construction or improvements services (IFRIC 12) (Note 24)	57	63
Supplies	63	60
Services to customers	57	60
Lean services	183	139
Other	334	322
<b>Total</b>	<b>1,780</b>	<b>1,511</b>

At 31 December 2023, "Taxes" includes Euros 165 million for the energy tax (Note 21). The company required to pay the tax as the main operator in the energy sector, Naturgy Energy Group, S.A., has passed it on to the other companies making up the Tax Group.

In 2023, "Lean Services" included an amount of Euros 41 million for transformation costs (2022: Euros 21 million).

## Note 27. Profit/(loss) on disposals of fixed assets

In 2023, gains on disposals of fixed assets related, in the amount of Euros 7 million, to the capital gain on the sale of land located in Vallecas (Spain) by General de Edificios y Solares, S.L., and in the amount of Euros 10 million to the capital gain generated by the sale of assets associated with the Vulcan Renewable Generation project in the United States by Naturgy Candela Devco LLC.

The main impact in 2022 was the sale of the assets of the gas well exploration and production business and sales of condensates by Unión Fenosa Gas Exploración y Producción, S.A.U., which generated a capital gain of Euros 3 million.

## Note 28. Depreciation and non-financial asset impairment losses

The breakdown of this heading for 2023 and 2022 is as follows:

	<b>2023</b>	2022
Amortisation intangible assets (Note 5)	300	272
Depreciation PPE (Note 6)	1,039	995
Depreciation right-of-use assets (Note 7)	115	117
Intangible asset impairment (Notes 4 and 5)	209	28
PPE impairment (Notes 4 and 6)	79	120
<b>Total</b>	<b>1,742</b>	<b>1,532</b>

## Note 29. Other results

In 2023 this heading mainly includes losses of Euros 40 million arising from translation differences relating to the liquidation of Gas Natural Exploración, S.L. in October 2023.

In 2022 this consolidated income statement heading mainly included:

- profit from the agreement reached with Acciona regarding the additional 50% interest in Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. (Notes 2.4.1. and 32) for Euros 9 million.
- included Euros -128 million for loss of earnings resulting from the judgment against Metrogas in the claim filed by Transportadora de Gas del Norte S.A. (TGN) (Note 36).
- net profit on the sale of the holding in Naturgy Almacенamientos Andalucía, S.A. and the sale of the assets of Petroleum Oil & Gas España, S.A. for Euros 3 million.

## Note 30. Net financial income /(expense)

The breakdown of this heading for 2023 and 2022 is as follows:

	2023	2022
Dividends	—	1
Interest income	190	67
Other financial income	123	96
<b>Total financial income</b>	<b>313</b>	<b>164</b>
Cost of borrowings (1)	(675)	(568)
Interest expenses pension plans	(21)	(13)
Other financial expense (2)	(121)	(256)
<b>Total financial expense</b>	<b>(817)</b>	<b>(837)</b>
Variations in the fair value of financial instruments (3)	(5)	13
Net exchange differences	(9)	(5)
<b>Net financial income/(expense)</b>	<b>(518)</b>	<b>(665)</b>

(1) Includes the cost of finance lease liabilities (Euros 84 million in 2023 and Euros 85 million in 2022) and other refinancing costs (Euros 29 million in 2023 and Euros 31 million in 2022).

(2) In 2022 it included the financial expenses relating to litigation by the Group company Chile Metrogas, S.A. and that associated with the claims concerning PIS and COFINS charges paid by the Brazilian companies, both recorded in 2022 as described in Note 36. In 2023, only the annual financial restatement of these provisions is included. Both years also include the inflation adjustment applicable to the Distribution Networks companies in Argentina due to its being a hyperinflationary economy, with impacts of Euros -86 million in 2023 and Euros -43 million in 2022.

(3) Mainly relates to the change in value of derivative financial instruments (Notes 9 and 18).

## Note 31. Cash generated by operating activities and other cash-flow breakdowns

The breakdown of cash generated from operations in 2023 and 2022 is as follows:

	2023	2022
<b>Profit/(loss) before tax</b>	<b>3,042</b>	<b>2,546</b>
<b>Adjustments to profit/(loss):</b>	<b>1,654</b>	<b>3,057</b>
Depreciation, amortisation and impairment expenses (Notes 4, 5, 6, 7 & 28)	1,742	1,532
Other adjustments to net income:	(88)	1,525
Net financial income (Note 30)	518	665
Profit of entities recorded by equity method (Note 8)	(90)	(128)
Release to income (Note 15)	(52)	(50)
Net variation in Provisions (1)	98	223
Other result adjustments (2)	(562)	815
<b>Changes in working capital (excluding the effects of adjustments in consolidation scope and exchange differences):</b>	<b>828</b>	<b>(272)</b>
Inventories	370	(578)
Trade and other receivables	2,328	(246)
Trade and other payables	(1,870)	552
<b>Other cash flows from operating activities:</b>	<b>(667)</b>	<b>(1,089)</b>
Interest paid	(650)	(520)
Interest collected	233	87
Dividends received	127	106
Income tax paid	(377)	(762)
<b>CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>	<b>4,857</b>	<b>4,242</b>

(1) Net change in provisions mainly includes the amount recorded for tax claims abroad in 2023 (Note 36). In 2022 it included mainly the amount recorded for the claim for unpaid invoices in relation to the provision for the litigation involving the Group company in Chile, Metrogas, S.A. (Note 36).

(2) Other adjustments to results in 2023 and 2022 include the effects derived from the ineffectiveness recognised in respect of gas sales hedging derivatives (Note 18). In 2022, it also included the figure for loss of earnings resulting from the judgement against Metrogas, S.A. (Note 29).

Payments on investments in Group companies, associates and business units at 31 December 2023 and 2022 break down as follows:

	2023	2022
Acquisition ASR Wind (Note 32)	(476)	—
Acquisition Cluster solar Marisol's assets	(42)	—
Acquisition Eólico Marisol assets	(44)	—
Acquisition Andújar Solar's assets	(28)	—
Acquisition Lepe Solar assets	(8)	—
Acquisition Glenellen Asset	(10)	—
Acquisition participaciones Acciona (Note 32)	—	(9)
Acquisition Infraestructuras San Servan	—	(5)
Other	(3)	(3)
<b>Total</b>	<b>(611)</b>	<b>(17)</b>

Receipts due to divestments in Group companies, associates and business units at 31 December 2023 and 2022 break down as follows:

	2023	2022
Sale Almacенamientos Andalucia and Petroleum assets	—	16
Sale Tecnatom	—	6
Sale UTE Tramfang	—	1
Other	—	2
<b>Total</b>	<b>—</b>	<b>25</b>

The breakdown of payments for the acquisition of equity instruments at 31 December 2023 and 2022 is as follows:

	2023	2022
Naturgy Energy Group, S.A. treasury shares (Note 14)	(10)	—
Anticipated amortization of subordinated perpetual bond (Note 14)	—	(500)
Other	(10)	(3)
<b>Total</b>	<b>(20)</b>	<b>(503)</b>

Movements in borrowings in 2023 and 2022 are set out below, disclosing separately the changes that generate cash flows from those that do not:

	01.01.2023	Generate cash flow		Do not generate cash flow		31.12.2023
		Increase	Decrease	Currency translation differences	Transfers and other (1)	
Issuing of debentures and other negotiable obligations	8,203	—	(655)	38	43	7,629
Borrowings from financial institutions	6,571	1,869	(1,693)	(95)	211	6,863
Derivative financial instruments	25	—	—	—	(19)	6
Lease liabilities	1,486	—	(137)	(33)	147	1,463
Other financial liabilities	16	—	(3)	(4)	—	9
<b>Total (Note 17)</b>	<b>16,301</b>	<b>1,869</b>	<b>(2,488)</b>	<b>(94)</b>	<b>382</b>	<b>15,970</b>

	01.01.2022	Generate cash flow		Do not generate cash flow		31.12.2022
		Increase	Decrease	Currency translation differences	Transfers and other	
Issuing of debentures and other negotiable obligations	8,586	300	(761)	53	25	8,203
Borrowings from financial institutions	6,586	476	(718)	202	25	6,571
Derivative financial instruments	107	—	—	1	(83)	25
Lease liabilities	1,521	—	(146)	68	43	1,486
Other financial liabilities	12	7	—	(3)	—	16
<b>Total (Note 17)</b>	<b>16,812</b>	<b>783</b>	<b>(1,625)</b>	<b>321</b>	<b>10</b>	<b>16,301</b>

## Nota 32. Business combinations

### 2023

#### Acquisition of ASR Wind

On 3 August 2023, through its subsidiary Naturgy Renovables, S.L.U, Naturgy acquired a 100% interest in ASR Wind, S.L., which heads a group of nine companies (Parque Eólico Pujalt, S.L., Parque Eólico del Magré, S.L., Parque Eólico Magaz, S.L., Parque Eólico Cova Da Serpe II, S.L., Parque Eólico Sierra Sesnández, S.L., Parque Eólico Loma del Capón, S.L., Desarrollos Eólicos Manchegos El Pinar, S.L., Energías Alternativas Castilla La Mancha, S.L. and Energías Renovables del Duero, S.L.) which, in turn, hold an interest in two companies (SET Veciana, S.L. and SEC Valcaire, S.L.). This group of companies has a total of 422 MW distributed across 12 wind farms operating in Spain, diversified among various high-value locations in terms of wind and solar resources close to existing Naturgy operations (Castilla-La Mancha, Castilla y León, Catalonia, Andalusia and Galicia).

The cost of the business combination amounted to Euros 558 million. The goodwill, amounting to Euros 128 million, was calculated as the difference between the acquisition cost and the fair value of the identifiable assets and liabilities on the transaction date.

Acquisition cost	558
Fair value of net assets	430
<b>Goodwill (Note 5)</b>	<b>128</b>

	Fair value	Carrying amount
Intangible assets (Note 5)	50	18
Property, plant and equipment (Note 6)	652	174
Right-of-use assets (Note 7)	18	18
Non-current financial assets	17	17
Deferred tax assets (Note 21)	13	13
Trade and other receivables	11	11
Current financial assets	6	6
Cash and other equivalent liquid assets	82	82
<b>Total Assets</b>	<b>849</b>	<b>339</b>
Provisions	22	22
Non-current financial liabilities	180	180
Deferred tax liability (Note 21)	142	14
Other non-current liabilities	19	19
Current financial liabilities	35	35
Trade and other payables	20	20
Other current liabilities	1	1
<b>Total Liabilities</b>	<b>419</b>	<b>291</b>
<b>Fair value of net assets acquired</b>	<b>430</b>	<b>48</b>
Purchase price	558	
Cash and other equivalent liquid assets in the acquired subsidiary	(82)	
<b>Net acquisition cost</b>	<b>476</b>	

Those net assets were valued basically in accordance with the following methodology:

- The projects were valued using the discounted cash-flow for the investor method, based on Level 3 inputs as the data were not observable on the market.
- The valuation was performed on the basis of the required return on the investment.
- A pipeline of solar hybridisations up to 435 MWp at an advanced stage of development, most of which already have land and interconnection permits and most of which will be operational by 2025, was taken into account.
- At the end of the useful life of the existing wind turbines, repowering them is considered.
- The revenues that guarantee profitability for the remaining regulatory period and estimated market prices for the remaining life of the operating assets and for hybridisation and repowering projects have been taken into account.
- The transaction represents an enterprise value of Euros 650 million for 100% of the holding company of the operating companies.

In the process of allocating the purchase price, assets capable of restatement were identified from the balance sheets of the acquired companies at the acquisition date, relating to intangible assets with an additional value of Euros 32 million representing the generation of value of the hybridisation projects, PPE with an additional value of Euros 478 million based on the installed capacity of the wind farms in operation in these companies (422 MW) and the repowering projects. Deferred tax liabilities were also recognised in connection with the revaluation, with the goodwill not expected to be deductible as a contra-item.

The consolidated profit for the period contributed since the acquisition date amounts to Euros 13 million. Acquisition costs recorded as expenses for the year amounted to Euros 3 million. If the acquisition had taken place on 1 January 2023, the consolidated revenue, gross operating profit and consolidated profit attributable to equity holders of the parent company for the period would have changed by Euros 46 million, Euros 35 million and Euros 16 million, respectively.

As indicated in Note 2.4.1.d., on 30 November 2023 the merger of the acquired group of companies headed by ASR Wind, S.L. (with accounting effects from 3 August 2023, the date of acquisition of these companies) with Naturgy Vento, S.A.U. (named Energías Especiales Alcohólicas, S.A. until 28 June 2023) was registered.

## 2022

### Acquisition of renewable assets

In May 2022, Naturgy, through Naturgy Renovables, S.L.U., reached a comprehensive agreement with the Acciona group to separate the wind farms that they managed jointly through Desarrollo de Energías Renovables de Navarra, S.A., P.E. Cinseiro, S.L. and Explotaciones Eólicas Sierra de Utrera, S.L.

On the basis of the agreement, Naturgy Renovables, S.L.U. acquired an additional 50% of Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L., thereby obtaining a 100% controlling interest. These companies are now consolidated as subsidiaries. It also acquired 25% of Explotaciones Eólicas Sierra de Utrera, increasing its controlling stake from 75% to 100%, without a change of control.

Under that same transaction, certain wind farms owned by Desarrollo de Energías Renovables de Navarra, S.A. were sold to the Acciona group.

The cost of the business combination amounted to Euros 58 million. The goodwill, amounting to Euros 7 million, was calculated as the difference between the acquisition cost and the fair value of the identifiable assets and liabilities on the transaction date.

Acquisition cost	58
Fair value of net assets	51
<b>Goodwill (Note 5)</b>	<b>7</b>

	Fair value	Carrying amount
Property, plant and equipment (Note 6)	28	21
Right-of-use assets (Note 7)	2	2
Deferred tax assets	1	1
Trade and other receivables	34	34
Cash and other equivalent liquid assets	20	20
<b>Total Assets</b>	<b>85</b>	<b>78</b>
Provisions	5	5
Non-current financial liabilities	2	2
Deferred tax liability	3	1
Trade and other payables	23	23
Other current liabilities	1	1
<b>Total Liabilities</b>	<b>34</b>	<b>32</b>
<b>Fair value of net assets acquired</b>	<b>51</b>	<b>46</b>
Acquisition cost	58	
Purchase price 50% additional	(29)	
Cash and other equivalent liquid assets in the acquired subsidiary	(20)	
<b>Net acquisition cost</b>	<b>9</b>	
Purchase price 50% additional	29	
Cash and other equivalent liquid assets in the acquired subsidiary	20	
<b>Net acquisition cost</b>	<b>9</b>	

The purchase price allocation process identified assets susceptible to revaluation on the balance sheets of Desarrollo de Energías Renovables de Navarra, S.A. and P.E. Cinseiro, S.L. at the acquisition date, specifically property, plant and equipment with an additional value of Euros 7 million, which represents the generation of value in the portfolio based on the installed capacity of the wind farms remaining in these companies (87 MW). Deferred tax liabilities were also recognised in connection with the revaluation, with the goodwill not expected to be deductible as a contra-item.

Those net assets were valued basically in accordance with the following methodology:

- The business was valued following the revenue approach and in particular, through the discounted cash flow method, based on Level 3 inputs as the data were not observable on the market.
- The valuation was performed on the basis of the required return on the investment.

The consolidated net profit for the incremental period contributed since the acquisition date was not material.

If the acquisition had taken place on 1 January 2022, the impact on consolidated net sales, EBITDA and consolidated profit attributable to equity holders of the parent company for the period would have increased by Euros 55 million, Euros 41 million and Euros 19 million, respectively.



### Note 33. Service concession agreements

Naturgy manages a number of concessions containing provisions for the construction, operation and maintenance of facilities, as well as connection and power supply obligations during the concession period, in accordance with applicable regulations (Appendix IV). There follow details of the concession period and the period remaining to the expiration of concessions that are not indefinite:

Company	Activity	Country	Concession period (years)	Initial remaining period (years)
Gas Natural BAN, S.A.	Gas distribution	Argentina	35 (extendable 10)	4
Gasnor, S.A.	Gas distribution	Argentina	35 (extendable 10)	4
Energía San Juan S.A.	Electricity distribution	Argentina	60	33
Companhia Distribuidora de Gás do Rio de Janeiro, S.A, Ceg Rio, S.A. and Gas Natural Sao Paulo Sul, S.A.	Gas distribution	Brazil	30 (extendable 20/30)	4-7
Unión Fenosa Generadora Torito, S.A.	Hydraulic power generation	Costa Rica	20	up to 8
Naturgy Generación S.L.U., S.A. and Naturgy Renovables, S.L.	Hydraulic power generation	Spain	14-65	up to 40
Naturgy México S.A. de C.V. and Comercializadora Metrogas S.A. de C.V.	Gas distribution	Mexico	30 (extendable 15)	4-15
Empresa Distribuidora de Electricidad Metro Oeste, S.A. and Empresa Distribuidora de Electricidad Chiriqui, S.A.	Electricity distribution	Panama	15	5

Under the terms of the Concession concluded in 2003 with the Government of Costa Rica, the Unión Fenosa Generadora La Joya hydroelectric power generation concession expired on 30 June 2023.

As indicated in Note 2.4.3.b, Naturgy applies IFRIC 12 “Service concession arrangements”, the intangible asset model being applicable basically to the gas distribution activities in Argentina and Brazil, and to the electricity distribution activity in Argentina, while the financial asset model applies to the electricity generation business in Costa Rica.

The hydroelectric power plant concessions in Spain (Note 2.4.4.) fall outside the scope of IFRIC 12, due among other reasons to the fact that power selling prices are set in the market. The other international concessions fall outside the scope of IFRIC 12 because the grantor does not control a significant residual interest in the infrastructure at the concession end date and simultaneously determines the service price. Concession assets are still recognised in “Property, plant and equipment”.

### Note 34. Information on transactions with related parties

Related parties are as follows:

- Significant Naturgy shareholders, i.e. those directly or indirectly owning an interest of 5% or more, and those who, though not significant, have exercised the power to propose the appointment of a member of the Board of Directors.

Based on this definition, the significant shareholders of Naturgy are:

- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa", holding through Criteria Caixa, S.A.U. (Criteria)
  - Global Infrastructure Partners III and related companies, whose investment manager is Global Infrastructure Management LLC, holds its interest indirectly through GIP III Canary 1, S.à.r.l. (GIP)
  - CVC Capital Partners SICAV-FIS, S.A., through Rioja Acquisitions S.à.r.l. (CVC)
  - IFM Global Infrastructure Fund, through Global InfraCo O (2), S.à.r.l. (IFM)
- Directors and executives of the company, and their close relatives. The term "director" means a member of the Board of Directors and the term "senior management personnel" refers to personnel reporting directly to the Executive President and the Internal Audit Manager. Operations with directors and executives are disclosed in Note 35.
  - Transactions between Group companies form part of ordinary activities and are effected at arm's length. Group company balances include the amount that reflects Naturgy's share of the balances and transactions with companies consolidated under the equity method.

Aggregate transactions with related parties are follows (thousand euro):

2023 Expense and Income (thousand euro)	Significant shareholders				Directors	Group companies
	Criteria	CVC	GIP	IFM		
Financial expenses	—	—	—	—	—	125
Leases	—	—	—	—	—	4
Receipt of services	—	—	—	—	—	1,483
Purchase of goods (1)	—	—	—	—	—	70,527
Other expenses	—	—	—	—	—	—
<b>Total expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>72,139</b>
Financial income	—	—	—	—	—	1,031
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	—
Sale of goods (1)	954	1,924	—	962	—	68,745
Other income	—	—	—	—	—	1,877
<b>Total income</b>	<b>954</b>	<b>1,924</b>	<b>—</b>	<b>962</b>	<b>—</b>	<b>71,653</b>

Other transactions (thousand euro)	Significant shareholders				Directors	Group companies
	Criteria	CVC	GIP	IFM		
Acquisition of property, plant and equipment, intangible assets or other assets	—	—	—	—	—	—
Financing agreements: loans and capital contributions (lender)	—	—	—	—	—	—
Dividends and other profits distributed	388,440	301,287	300,207	212,184	—	—

Trade debtors and creditors (thousand euros)	Significant shareholders				Directors	Group companies
	Criteria	CVC	GIP	IFM		
Trade and other receivables	196	29	—	107	—	2,479
Trade and other payables	—	—	—	—	—	4,973

2022 Expense and Income (thousand euro)	Significant shareholders				Directors	Group companies
	Criteria	CVC	GIP	IFM		
Financial expenses	—	—	—	—	—	—
Leases	—	—	—	—	—	4
Receipt of services	1	—	—	—	—	1,880
Purchase of goods (1)	—	—	—	—	—	87,577
Other expenses	—	—	—	—	—	—
<b>Total expenses</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>89,461</b>
Financial income	—	—	—	—	—	1,141
Leases	—	—	—	—	—	—
Provision of services	—	—	—	—	—	237
Sale of goods (1)	2,944	2,076	—	—	258	78,198
Other income	—	—	—	—	—	1,322
<b>Total income</b>	<b>2,944</b>	<b>2,076</b>	<b>—</b>	<b>—</b>	<b>258</b>	<b>80,898</b>

Other transactions (thousand euro)	Significant shareholders				Directors	Group companies
	Criteria	CVC	GIP	IFM		
Acquisition of property, plant and equipment, intangible assets or other assets	—	—	—	—	—	—
Financing agreements, loans and capital contributions(lender)	—	—	—	—	—	—
Dividends and other profits distributed	310,752	241,030	240,165	157,387	—	—

Trade debtors and creditors (thousand euros)	Significant shareholders				Directors	Group companies
	Criteria	CVC	GIP	IFM		
Trade and other receivables	296	2	—	—	—	3,273
Trade and other payables	—	—	—	—	—	15,860

(1) Basically includes energy purchase and sale.

## Note 35. Information on members of the Board of Directors and the Management Committee

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

The remuneration policy for the members of the Board of Directors was approved at the General Shareholders' Meeting held on 15 March 2022 and is periodically revised by the Board of Directors following a report from the Appointments and Remuneration Committee, in order to keep it aligned with the best practices in the reference market and with the objectives indicated in the Bylaws.

The amount accrued by the members the Board of Directors of Naturgy Energy Group, S.A., for belonging to the Board of Directors, Audit and Control Committee (ACC), Appointments, Remuneration and Corporate Governance Committee (ARGC) and Sustainability Committee (SC), totalled Euros 3,737 thousand (Euros 3,762 thousand in 2022). The amount for 2023 is detailed below (expressed in euros):

	Office	Board	ACC	ARGC	SC	Total
Mr. Francisco Reynés Massanet	Executive Chairman	1,100,000				1,100,000
Ms. Helena Herrero Starkie	Coordinating Director	205,000	44,000		66,000	315,000
Mr. Ramón Adell Ramón	Director	175,000	44,000			219,000
Mr. Enrique Alcántara-García Irazoqui	Director	175,000		44,000		219,000
Ms. Isabel Estapé Tous	Director	175,000			44,000	219,000
Ms. Lucy Chadwick	Director	175,000			44,000	219,000
Mr. Rajaram Rao	Director	175,000		44,000		219,000
Mr. Claudi Santiago Ponsa	Director	175,000	66,000	44,000		285,000
Mr. Pedro Sainz de Baranda Riva	Director	175,000	44,000	66,000		285,000
Mr. Jaime Siles Fernández-Palacios	Director	175,000			44,000	219,000
Rioja S.à.r.l, Mr. Javier de Jaime Guijarro	Director	175,000		44,000		219,000
Mr. José Antonio Torre De Silva López de Letona (1)	Director	132,661	33,355			166,016
Theatre Directorship Services Beta, S.à.r.l, Mr. José Antonio Torre de Silva López de Letona (1)	Director	42,339	10,645			52,984
		<b>3,055,000</b>	<b>242,000</b>	<b>242,000</b>	<b>198,000</b>	<b>3,737,000</b>

(1) On 28 March 2023 his appointment as an individual director was formalised, replacing the legal entity Theatre Directorship Services Beta, S.à.r.l.

In 2023, as in 2022, no amounts were received for other items.

At 31 December 2023 the Board of Directors comprised 12 members (12 members at 31 December 2022), the Audit and Control Committee had 5 members (5 members at 31 December 2022), the Appointments, Remuneration and Corporate Governance Committee had 5 members (5 members at 31 December 2022) and the Sustainability Committee had 4 members (4 members at 31 December 2022).

The members of the Board of Directors of Naturgy Energy Group, S.A., excluding the Executive Chairman, have not received remuneration from profit sharing, bonuses or indemnities, and have not been granted any loans or advances. Neither have they received shares or share options during the year, nor have they exercised options or have options to be exercised.

The members of the Board of Directors are covered with the same liability policy that insures all managers and directors of Naturgy. The premium paid in 2023 by Naturgy Energy Group, S.A. amounted to Euros 673 thousand (Euros 766 thousand in 2022).

## Management Committee remuneration

For the sole purposes of the information contained in this section, the Management Committee is considered to be the Executive Chairman in relation to his executive functions, the directors reporting directly to the Executive Chairman and the Internal Audit Director.

At 31 December 2023 nine persons mad up this group, excluding the Executive Chairman and the Internal Audit Director (nine persons at 31 December 2022), these being the same executives that comprised the Management Committee at 31 December 2022.

The amounts accrued by the Management Committee in 2023 with respect to fixed remuneration, variable remuneration and other items amounted to Euros 11,504 thousand (Euros 5,650 thousand, Euros 5,608 thousand and Euros 246 thousand, respectively) and to Euros 11,261 thousand in 2022 (Euros 5,356 thousand, Euros 5,666 thousand and Euros 239 thousand, respectively). As in 2022, the amount relating to the annual variable remuneration of the Executive Chairman will be settled as a voluntary contribution to his retirement pension plan, in accordance with the terms of the relevant agreement.

Share-based payments are detailed in Note 14.

Contributions to pension plans and group insurance policies, together with life insurance premiums paid, totalled Euros 1,657 thousand in 2023 (Euros 1,471 thousand in 2022). The funds accrued for these contributions, including in the case of the Executive Chairman the amounts contributed voluntarily since 2018 corresponding to his annual variable remuneration accrued, amount to Euros 25,873 thousand for all directors at 31 December 2023 (Euros 21,302 thousand at 31 December 2022).

At 31 December 2023, Naturgy granted guarantees on loans to management personnel amounting to Euros 1,115 thousand. No indemnities were received for departures from the Management Committee in 2023 (none in 2022).

The Chairman's contract approved by the Board of Directors on 6 February 2018 and consistent with the remuneration policy for the members of the Board of Directors approved at the General Shareholders' Meeting held on 28 March 2023, establishes a fixed remuneration component, an annual variable component and a long-term incentive plan, as well as other welfare benefits.

The Chairman's contract provides for an indemnity in the event of the termination or non-renewal of his directorship amounting to two years' total remuneration: total fixed remuneration, annual variable remuneration and the annualised part of long-term remuneration (equivalent to 1.25 times the total fixed remuneration). The indemnity will not be payable in the event of the serious and culpable nonfulfillment of his professional obligations causing significant harm to Naturgy's interests. In addition, as consideration for a post-contractual no-competition agreement with a duration of one year, an indemnity equivalent to one year's full fixed remuneration is provided for.

The contracts concluded with the members of the Management Committee (9) contain a clause providing for compensation equivalent to the legally established indemnity, which varies, depending on seniority, between two and three and a half years' salary. This clause applies to cases of unfair dismissal, as well as those referred to in Articles 40, 41 or 50 of the Workers' Statute, and in one of the contracts to certain situations involving a change in control. In addition, the 9 contracts contain a clause providing for compensation equivalent to one year's fixed remuneration for a post-contractual non-competition commitment lasting up to two years.

## Transactions with members of the Board of Directors and the Management Committee

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

In 2023 and 2022 the Directors of Naturgy Energy Group, S.A. have not notified the Board of Directors of any general situation of conflict of interest.

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

During 2023 and 2022, the members of the Board of Directors and the Management Committee have not carried out related-party transactions outside the ordinary course of business or transactions that have not been conducted under normal market conditions with Naturgy Energy Group, S.A. or Group companies.

## Note 36. Litigation, arbitration, guarantees and commitments

### Litigation and arbitration

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

#### Claims for PIS and COFINS taxes in Brazil

In September 2005, the Río de Janeiro Tax Administration rendered ineffective the recognition that it had previously issued, in April 2003, for the offset of receivables in respect of PIS and COFINS sales taxes paid by Companhia Distribuidora de Gás do Rio de Janeiro - CEG, in which Naturgy holds an interest of 54.2%. The administrative court confirmed that ruling in March 2007 and the company therefore filed a contentious-administrative appeal (Justicia Federal do Rio de Janeiro). Subsequently, notification of a public civil action against CEG relating to the same events was received on 26 January 2009.

In November 2015 the Rio de Janeiro Federal Justice Department issued a first instance ruling partially upholding CEG's appeal, ordering the refund and the payment of the tax debt plus costs in the amount of BRL 105 million (Euros 20 million) and rejecting the imposition of default interest and fines. The ruling was appealed by the Federal Treasury of Brazil and by CEG before the Federal Court of Rio de Janeiro (Chamber of Appeal). On 5 October 2022, during a hearing before the fourth specialised chamber of the Federal Regional Court, one of the judges involved requested a more detailed examination of the records of the case, thereby delaying the judgment.

On 6 December 2023, this Court issued a judgment confirming CEG ruling for the principal amount plus the relevant monetary update. This decision may be appealed against before the Court itself and the Supreme Court. Following the ruling, the updated amount stands at BRL 395 million, equivalent to Euros 74 million (Euros 86 million at 31 December 2022).

#### Claim against Metrogas, S.A.

In 2011 and 2015, Transportadora de Gas del Norte S.A. (TGN) lodged various complaints against Metrogas, S.A. (Metrogas), a Chilean company 55.6% owned by Naturgy, before the civil and commercial courts of first instance in Argentina for supposed breach of contract in the transport of Argentinian gas to Chile during the Argentina gas crisis.

In April 2017, Metrogas received a judicial notice declaring a joinder of claims, meaning that the total amount claimed by TGN stands at USD 227 million (Euros 205 million) plus interest.

On 4 August 2022, Metrogas received a first instance ruling ordering it to pay TGN approximately USD 250 million (Euros 226 million) for unpaid invoices and early termination of contracts (loss of earnings), plus costs and interest. This judgment is not final and may be appealed against. Metrogas will therefore take all available action to defend its interests and lodge the relevant appeal.

At 31 December 2023, the risk associated with this case was provided for under "Non-current provisions" in the amount of Euros 313 million (Euros 319 million at 31 December 2022) (Note 16).

#### Environmental incentive for coal plants in Spain

In 2007, the Spanish authorities introduced an environmental incentive to support the installation of new sulphur oxide filters in existing coal plants. In November 2017, the European Commission opened an investigation to determine whether this incentive complied with the European Union's state aid rules. As a result, a provision of Euros 19 million was recorded only for the amounts received from November 2017, leaving aside the sum of Euros 67 million relating to the period prior to 2017 when the Royal Decree was not in force.

On 8 September 2021, the European General Court ruled against the action for annulment brought by Naturgy against the Commission's decision. An appeal in cassation was lodged with the legal authorities against this ruling. A judgement confirming the European General Court's ruling is considered to be likely, requiring the return of all the aid received.

On 14 December 2023, the Court of Justice of the European Union upheld Naturgy's appeal against the judgment of the General Court. The judgment is based on purely formal grounds, and in particular states that the decision to open the investigation is not sufficiently reasoned.

This risk continues to be classified as probable, pending the Commission's decision on the instigation of new proceedings, since the European Court of Justice's decision does not rule on the merits of the case but only on the lack of proper reasoning for bringing the case.

At 31 December 2023, the risk associated with this case was provided for under "Non-current provisions" in the amount of Euros 97 million (Euros 86 million at 31 December 2022). See Note 16.

## Renewable generation

The permits for certain renewable wind or solar generation facilities that are under construction or completed have been appealed against before the courts and their viability might be affected in the event that the appeals are upheld. For cases where the risk is considered likely to materialise, an impact of Euros 15 million has been estimated (no such risk was considered at 31 December 2022). For the remaining cases, the risk is not considered likely to materialise although a maximum associated impact of Euros 227 million (Euros 238 million as at 31 December 2022) has been estimated.

At 31 December 2023, the risks existing at 31 December 2022 in relation to the administrative authorisation for the Hawksdale wind farm in Australia and the Bii Hioxo wind farm in Mexico, the materialisation of which was not considered probable, have been resolved. However, at 31 December 2023 there are still risks associated with renewable facilities outside Spain for a maximum amount of Euros 10 million, the materialisation of which is regarded as unlikely.

## Electricaribe

On 14 November 2016 the Superintendence for Residential Public Services of the Republic of Colombia ("the Superintendence") reported the government take-over of Electricaribe, a Naturgy investee, as well as the removal of the members of the governing body and the general manager, and their replacement by a special agent appointed by the Superintendence. On 14 March 2017 the Superintendence announced the decision to liquidate Electricaribe. On 22 March 2017, Naturgy initiated arbitration proceedings before the Court of the United Nations Commission for International Trade Law (UNCITRAL) and on 15 June 2018 it lodged a complaint in which it claimed approximately USD 1,600 million. On 4 December 2018, the Republic of Colombia submitted its answer to the complaint and filed a counterclaim for approximately USD 500 million. In March 2021, an arbitration award was issued rejecting the claims of both Naturgy and the Colombian State (Note 9).

Several Columbian government agencies have brought administrative and judicial procedures against the Naturgy group or its employees on behalf of Electricaribe, including the Public Prosecutor's Office, the Superintendence for Public Services and the Superintendence for Companies.

## Contested withholding tax assessments

On 7 July 2023, tax assessments for withholdings on account of non-resident income tax were contested. Allegations against the assessments have been filed with the Central Economic-Administrative Court. It is not considered likely that the risk disclosed therein will materialize.

## Tax-related claims abroad

At 31 December 2023, Naturgy has filed various claims related to taxes or duties with the authorities in countries in which it operates. It is estimated that a risk of probable materialisation exists for a total amount of Euros 70 million, for which a provision was recognised in the second half of 2023 and maintained at the end of 2023. The schedule for outflows of economic benefits will depend on how these disputes, which are at an early stage, develop.

It is considered that disclosing further information on these claims could seriously prejudice Naturgy's position in the current dispute with the relevant counterparties and therefore the minimum description required by IAS 37 for such cases has been included.

Naturgy's consolidated balance sheet at 31 December 2023 includes provisions for litigation, based on the best estimate made using the information available at the date of preparation of these consolidated annual accounts on their progress and ongoing negotiations, which cover the estimated risks. Naturgy therefore considers that no significant liabilities will be derived from the risks described in the relevant section of this Note.

## Guarantees

Guarantees furnished by Naturgy at 31 December 2023 and 2022 are as follows:

- Guarantees provided to third parties, basically for investment commitments, construction and distribution network expansion, tenders, bids and business contracts amounting to Euros 1,713 million (Euros 1,796 million at 31 December 2022).
- Guarantees relating to the economic obligations resulting from its participation in the Spanish gas system (MIBGAS) and the Spanish electricity system (MEFF and OMIE) for Euros 747 million (Euros 720 million at 31 December 2022).
- Guarantees provided to public bodies, mainly for tax obligations amounting to Euros 308 million (Euros 119 million as at 31 December 2022).
- Guarantees for debt issues by Group companies Naturgy Capital Markets, S.A., Natural Finance, B.V. and Unión Fenosa Preferentes, S.A.U. totalling Euros 8,115 million (Euros 8,767 million at 31 December 2022).
- Guarantees for obligations under gas purchase and transport contracts and long-term (20 to 25 years) gas tanker chartering contracts of Group companies Naturgy LNG Marketing Ltd, Naturgy LNG, S.L., Naturgy LNG GOM Limited and Naturgy Aprovisionamientos, S.A. At 31 December 2023 these contracts amount to Euros 7,693 million (31 December 2022: Euros 10,265 million) valued on the basis of current market conditions for the commodities and currencies to which they are linked.
- Parent Company Guarantees (PCGs) associated with the derivative instruments contracted for a total amount of Euros 1,308 million (31 December 2022: Euros 1,267 million).

As the above guarantees are basically granted in order to guarantee the fulfilment of contractual obligations or investment commitments, the events that would lead to their execution, and therefore a cash disbursement, would be the nonfulfillment by Naturgy of its obligations in the ordinary course of its business, the probability of which is considered remote. Naturgy estimates that the liabilities not foreseen at 31 December 2023 if any, that could arise from guarantees furnished would not be significant.



## Contractual commitments

The following tables present the contractual commitments for purchases and sales at 31 December 2023 (million euro):

Acquisition	Total	31.12.2023					and later years
		2024	2025	2026	2027	2028	
Energy purchases (1)	55,776	6,964	6,095	4,843	4,666	4,495	28,713
Energy transmission (2)	2,061	335	293	298	280	256	599
Investment (3)	784	589	172	23	—	—	—
Nuclear fuel purchases	55	21	34	—	—	—	—
<b>Total contractual obligations</b>	<b>58,676</b>	<b>7,909</b>	<b>6,594</b>	<b>5,164</b>	<b>4,946</b>	<b>4,751</b>	<b>29,312</b>

Sale	Total	31.12.2023					and later years
		2024	2025	2026	2027	2028	
Energy sales (4)	18,064	2,015	2,109	1,444	1,445	1,430	9,621
Provision of capacity assignment services (5)	2,121	294	401	341	284	173	628
<b>Total contractual obligations</b>	<b>20,185</b>	<b>2,309</b>	<b>2,510</b>	<b>1,785</b>	<b>1,729</b>	<b>1,603</b>	<b>10,249</b>

1. Basically reflects the long-term commitments for natural gas purchases under gas supply contracts with take or pay clauses negotiated and held for “own use” (Note 2.4.8). These contracts are generally for 20-25 years, a minimum amount of gas to be purchased and revision mechanisms for prices indexed to international natural gas prices and regulated prices of natural gas in the countries of origin. The commitments according to these contracts have been calculated on the basis of natural gas prices at 31 December 2023.
2. Reflects the long-term commitments for gas transport and electricity transmission calculated on the basis of prices at 31 December 2023. It also reflects operating costs identified for charter contracts for gas tankers under finance leases for the tankers currently in operation.
3. It reflects investment commitments basically for the construction of Renewable Generation plants in Spain, USA and Australia, the development of the distribution network and other gas infrastructures and the development of the electricity distribution network (Notes 5 and 6).
4. It basically reflects long-term commitments to sell natural gas under gas sale contracts, containing take-or-pay clauses, negotiated and held for “own use” (Note 2.4.8.). The commitments have been calculated based on natural gas prices at 31 December 2023.

This also includes long-term commitments to sell electricity, calculated based on prices at 31 December 2023.

5. It reflects service provision commitments under power generation capacity assignment contracts in Mexico (Note 2.4.23.). The commitments made in these contracts have been calculated based on prices at 31 December 2023.

## Note 37. Auditors' fees

Fees for auditing and related services and other services in 2023 totalled Euros 5,078 thousand (Euros 6,309 thousand in 2022).

The fees accrued in thousand euro by companies trading under the KPMG brand in 2023 and 2022 are as follows:

	Thousand Euros					
	2023			2022		
	KPMG Audidores, S.L.	Rest KPMG network	Total	KPMG Audidores, S.L.	Rest KPMG network	Total
Auditing services (1)	2,079	1,887	<b>3,966</b>	2,140	1,709	<b>3,849</b>
Assurance services and services related to the audit (1)	265	315	<b>580</b>	960	705	<b>1,665</b>
Tax services	—	168	<b>168</b>	—	563	<b>563</b>
Other services	—	306	<b>306</b>	—	89	<b>89</b>
<b>Total fees</b>	<b>2,344</b>	<b>2,676</b>	<b>5,020</b>	<b>3,100</b>	<b>3,066</b>	<b>6,166</b>

(1) 2022 included Euros 354 thousand under Audit services and Euros 1,165 thousand under Assurance and audit-related services for the review/audit of the condensed interim consolidated financial statements of Naturgy Energy Group, S.A. at June 2022, associated with the Géminis project. The amount relating to assurance services and connected with the audit is considered as audit work for the purpose of calculating the "non-audit work/audit work" ratio included in Naturgy's Annual Corporate Governance Report 2022.

Additionally, other audit firms have provided various Group companies with audit services amounting to Euros 58 thousand in 2023 (Euros 143 thousand in 2022).

## Note 38 . Environment

### Environmental actions

Naturgy is aware of its activities' environmental impacts and therefore the Group pays particular attention to the protection of the environment and the efficient use of natural resources to meet energy demand. The Global Environmental Policy, which applies to all countries and businesses, and the Group's highest-ranking policy in favour of sustainable environmental development, the Corporate Responsibility Policy, define Naturgy's environmental action around 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. They also establish Naturgy's voluntary commitment to be a key player in the energy transition towards a circular and decarbonised economy model which, in line with the objectives of the Paris Agreement, drives climate action and biodiversity protection while promoting a fair and inclusive transition by generating and improving employment opportunities.

Naturgy's most immediate, specific and measurable responsibility towards the environment is set out in the Sustainability Plan, which lays down the objectives that guide the Group in its daily performance, in line with the SDGs set by the United Nations and the Strategic Plan defined for the period 2021-2025. Looking farther into the future, with a view to achieving climate neutrality by 2050 the Group is committed to investing now in sustainable activities, many of which are eligible under the European Taxonomy:

- Constructing new Renewable Generation facilities to reach an installed capacity of 48.2% by 2025.
- Focusing on carbon-neutral renewable gases with a target of producing or injecting at least 0.52 TWh into gas networks by 2025.
- Protecting biodiversity, which is partly affected by the climate challenge, and overcoming the risk of a net loss of natural capital as a strategic priority.

In line with the objectives of the Paris Agreement, Naturgy is committed to becoming carbon neutral by 2050, reducing total Scope 1, 2 and 3 emissions in accordance with the 1.5 °C - 2 °C. To this end, the Group will focus on four strategic environmental axes:

- Environmental governance and management.
- Climate change and energy transition.
- Circular economy and eco-efficiency.
- Biodiversity and natural capital.

Detailed information on the Company's environmental management performance and results may be found in the chapter titled "The Opportunity of Environmental Challenges" in the Sustainability Report and Statement of Non-Financial Information for 2023. The most noteworthy milestones are summarised below.

#### Environmental governance and management

- As reflected in the Environmental Policy, Naturgy goes beyond compliance with legal requirements in environmental matters and adopts more ambitious actions and objectives to ensure respect for the environment. After identifying significant impacts, Naturgy conducts its environmental management based on the principle of prevention, taking the entire business value chain into account. For years, the company has had an integrated management system (IMS) for quality, environment, safety and health, with the environmental component being certified in line with the requirements of ISO 14001 and audited annually. This system aims to prevent pollution and reduce environmental impacts throughout the value chain, involving employees, suppliers and other stakeholders. In 2023, 97.2% of EBITDA derived from certified industrial activities.
- The Group continuously monitors environmental regulations in order to ascertain their potential repercussions on its business in advance. This makes it easier to define its position and adapt to new requirements. Monitoring is implemented through consultation and public information processes in the international, European and domestic spheres. We should highlight that there were no significant environmental sanctions (higher than Euros 10,000) in 2023.
- Concerning possible contingencies, indemnities and other environmental risks that may be incurred by the Group, third-party liability insurance policies are in place to cover any damage that might arise.
- The Group has obtained various external recognitions in environmental matters. It was classified by CDP as A- for its climate management in 2022 and has remained at the top of this index since 2011. It has also obtained an A- classification for its management of the use of water resources by CDP Water.

#### Climate change and energy transition

- Naturgy is committed to being one of the key players in the energy transition towards a circular and decarbonised economy, as stated in the Environmental Policy. Naturgy operates at all times on the basis of a business model aligned with the highest level of ambition of the Paris Agreement.
- Naturgy has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which aim to improve the disclosure of climate-related risks and opportunities and provide stakeholders with the information necessary to conduct consistent analyses of the potential financial impacts of climate change. At the end of 2023, the TCFD announced that it was dissolved as a working group, and the International Sustainability Standards Board (ISSB) has assumed the monitoring responsibilities of the TCFD from 2024.
- In 2023, the total carbon footprint (scopes 1, 2 and 3) was reduced by 8% compared with 2022. Scope 1 emissions (direct emissions) were 12.5 million tCO<sub>2</sub>eq, 15% lower than in the previous year, mainly due to a lower operation of the Group's combined cycle plants (20% net reduction in electricity generation compared to 2022, mainly in Spain). 2023 has been a good weather conditions year in Spain for renewable generation, meaning that combined cycle plants, which act as back-up for hydroelectric and wind generation, operated less intensively than in 2022, which was a particularly dry year. Indirect Scope 2 emissions were 0.4 million tCO<sub>2</sub>eq, an increase of 9%, and Scope 3 emissions were 101.7 million tCO<sub>2</sub>eq. The latter have fallen by 8% for a number of reasons, the most relevant being the drop in demand for natural gas among end consumers.

- Renewable gases (biomethane and hydrogen) are the key lever for decarbonising Naturgy's gas business. In 2023, the Group participated in biomethane projects, reaching a production or grid injection capacity of 0.30 TWh.
- Approximately 10,490 GWh of renewable electricity was supplied in Spain with guarantees of origin certified by the CNMC under 1.6 million contracts, representing 59% of the energy purchased and an increase of 6% on the previous year.
- Although it has been producing biomethane for several years and injecting it into the gas network, for the first time in 2023 renewable gas has been marketed in Spain, own or acquired in the market, specifically 7,596 MWh of biomethane with guarantees of origin.
- In 2023, Naturgy launched Naturzero, a new brand designed to help its customers with their decarbonisation objectives through actions to mitigate and adapt to climate change, helping to position companies in a market that is increasingly aware and which takes a preferential approach to the most sustainable organisations and products. Naturzero will provide a comprehensive service to its customers, thanks to three associated products, to calculate, reduce and offset their GHG emissions

#### Circular economy and eco-efficiency

- With regard to the materials used, fuel consumption has decreased by 17% due to the reduced operation of combined cycle power plants. In other non-combustible materials the reduction has been 11% compared with the previous year, reflecting in both cases an improvement in eco-efficiency. The total quantities of fuels and other materials used in 2023 stood at 4.35 Mt and 5.96 kt, respectively.
- Water is a natural resource used in the Group's processes to which particular attention is paid, through analyses of the risks related to water use, discharge quality control, ecological reservoir management, eco-efficiency and the reuse of water in processes, for instance through the integration of wastewater from other activities. On a global level, 777 hm<sup>3</sup> have been collected, of which 17 hm<sup>3</sup> have been consumed, and 760 hm<sup>3</sup> have been returned to the environment in the form of discharges. In absolute terms, in 2023 there were reductions in water abstraction and discharge of 16% in both cases. This was due to the fact that the weather in Spain was favourable for renewable generation leading to a reduction in the activity of combined cycle plants, which act as a back-up for hydroelectric and wind power generation, producing less electricity than in 2022, which was a particularly dry year. To further interpret these results, and given that electricity generation is the activity that uses 99.7% of water resources, specific abstraction, consumption and discharge ratios have been calculated. These indicators, which reflect the amount of water needed to generate one unit of electricity, have shown a considerable improvement compared with the previous year (17.3 hm<sup>3</sup>/TWh vs 19.2 hm<sup>3</sup>/TWh) as eco-efficiency has increased, requiring less water to generate one unit of electricity. This is because the proportion of renewable electricity generated, which does not involve water consumption, increased in 2023 against 2022.
- As can be seen, by 2023 there has been a 21% reduction in water abstraction and discharge in water stressed areas, and a 14% reduction in consumption due to the reduced operation of combined cycle power plants, which represents a significant environmental improvement by mitigating pressure on water resources and promoting more sustainable water use.
- In relation to atmospheric pollutants, in absolute terms there has been a decrease in emissions of SO<sub>2</sub> emissions (18%), mainly due to the use of a fuel with a lower percentage of sulphur in the transport of LNG in methane. Absolute NO<sub>x</sub> emissions increased slightly by 0.5%.
- In 2023 there was a 22% increase in total waste generated. By waste types, hazardous waste increased by 41% and non-hazardous waste by 21%. This increase has occurred in Spain due to an increase in investment and activity for the improvement of the electricity distribution network and an improvement in the reporting of information on the gas distribution business. The percentage of recycled or recovered waste improved, standing at 95%, an increase of 4% over the previous year.

### Biodiversity and natural capital

- Naturgy has initiated a project to assess natural capital and biodiversity in all its activities, as determined in the recommendations published in September 2023 by the Task Force on Nature-related Financial Disclosures (TNFD), which aims to manage and disclose nature-related risks, and to drive integrated assessment and nature-related corporate reporting. In the Sustainability Report and Statement of Non-Financial Information 2023, these recommendations have been followed in the chapter on Biodiversity and natural capital, taking into account the information available at end-2023.
- In 2023, Naturgy implemented numerous actions in the natural capital and biodiversity area, all of which were aligned with the prevention, reduction in and compensation for our impacts, in order to progress in the commitment towards zero net loss in biodiversity and the enhancement of the value of the natural surroundings. Specifically, 353 biodiversity initiatives have been carried out on an international level, 22% of which are voluntary.
- 186 environmental studies have been carried out, particularly in relation to generation facilities (thermal, hydraulic and wind) and electricity distribution, in order to ascertain and monitor environment conditions. In the case of thermal and hydraulic power plants, sampling campaigns have been carried out to determine the physiochemical and biological quality of the aquatic environment (rivers, reservoirs, etc.). The latest studies confirm the normality observed throughout the sample series and conclude that the facilities analysed have an acceptable impact on the environment.
- In 2023, environmental restoration actions were carried out on 335.7 hectares. 22% of this area pertained to protected areas, habitats or species.

### **European taxonomy**

The Turnover indicator shows 23% eligibility, the Opex indicator shows 51% eligibility and the Capex indicator shows 79% eligibility. The result obtained in the Capex indicator reflects a solid, sustainable business model and the creation of long-term value for the planet and its inhabitants.

Compared to last year, the Capex eligibility percentage increased by 12%, while the Turnover and Opex figures remained stable at around 23% and 51% respectively. In terms of alignment, Turnover and Capex figures improved by 5% and 15%, respectively, while Opex remained stable.

This topic is analyzed in detail in Section 3.5 and in the Annexes to the Sustainability Report and Statement of Non-Financial Information 2023.

### **Environmental investment and expenditure**

Environmental activities undertaken in 2023 amounted to Euros 1,316 million (Euros 846 million in 2022), of which Euros 1,093 million relate to environmental investments (including investments derived from business combinations) and Euros 223 million to expenditure on environmental management of facilities, excluding those relating to the European regulated carbon market (ETS). Among the investments made, the investments in new renewable projects should be noted, which will contribute to the energy transition and reduce direct emissions of CO<sub>2</sub> and other atmospheric pollutants.

### **Emissions**

In 2023, consolidated CO<sub>2</sub> emissions from Naturgy's cogeneration and combined cycle plants subject to regulations governing the European emission trading system totalled 4.9 million tonnes of CO<sub>2</sub> (7.4 million tonnes of CO<sub>2</sub> in 2022).

Naturgy devises a strategy each year for managing transfers to its CO<sub>2</sub> emission allowance coverage portfolio, acquiring them through its active participation in both the primary and secondary markets.

## **Note 39. Events after the reporting date**

On 12 January 2024, BlackRock announced the acquisition of 100% of Global Infrastructure Partners (GIP), a Naturgy shareholder with a 20.6% interest as at 31 December 2023. The transaction is expected to be closed in the third quarter of 2024, subject to relevant regulatory approvals and other closing conditions.

On 26 February 2024, the Board of Directors adopted the proposal for the distribution of the Company's net profit for 2023 and prior-year retained earnings, which will be submitted to the annual general meeting as described in Note 14.

Except for these facts, there have been no other material events after the reporting date.

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## Appendix I Naturgy companies

### 1. Subsidiaries

Company	Country	Activity	Method	Total % interest	
			of	%	%
			Consolidation (1)	Controlling interest (2)	Equity interest
Naturgy BAN, S.A.	Argentina	Gas distribution	F.C.	70.0	70.0
Gascart S.A.	Argentina	Gas distribution	F.C.	100.0	96.2
Gasnor S.A.	Argentina	Gas distribution	F.C.	100.0	96.2
Gasmarket S.A.	Argentina	Gas distribution	F.C.	100.0	96.2
Gas Sur S.A.	Chile	Gas distribution	F.C.	100.0	92.3
Innergy Holdings S.A.	Chile	Gas distribution	F.C.	60.0	55.4
Innergy Soluciones Energéticas S.A.	Chile	Gas distribution	F.C.	100.0	55.4
Innergy Transportes S.A.	Chile	Gas distribution	F.C.	100.0	55.4
Metrogas S.A.	Chile	Gas distribution	F.C.	60.2	55.6
Aprovisionadora Global de Energía, S.A.	Chile	Gas distribution	F.C.	60.2	55.6
Ceg Río, S.A.	Brazil	Gas distribution	F.C.	59.6	59.6
Companhia Distribuidora de Gás do Rio de Janeiro, S.A.	Brazil	Gas distribution	F.C.	54.2	54.2
Gas Natural Sao Paulo Sul, S.A.	Brazil	Gas distribution	F.C.	100.0	100.0
Gas Natural Redes GLP, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Gas Natural Transporte SDG, S.L.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Andalucía, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Aragón, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Balears, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Castilla La Mancha, S.A.	Spain	Gas distribution	F.C.	95.0	76.0
Nedgia Castilla y León, S.A.	Spain	Gas distribution	F.C.	90.1	72.1
Nedgia Catalunya, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Cegas, S.A.	Spain	Gas distribution	F.C.	99.7	79.8
Nedgia Galicia, S.A.	Spain	Gas distribution	F.C.	68.5	54.8
Nedgia Madrid, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia Navarra, S.A.	Spain	Gas distribution	F.C.	100.0	80.0
Nedgia, S.A.	Spain	Gas distribution	F.C.	100.0	80.0

Company	Country	Activity	Method of Consolidation (1)	Total % interest	
				% Controlling interest (2)	% Equity interest
Nedgia Rioja, S.A.	Spain	Gas distribution	F.C.	87.5	70.0
Comercializadora Metrogas, S.A. de CV	Mexico	Gas distribution	F.C.	100.0	70.9
Naturgy México, S.A. de C.V.	Mexico	Gas distribution	F.C.	70.9	70.9
Agua Negra S.A.	Argentina	Electricity distribution	F.C.	100.0	100.0
Energía San Juan S.A.	Argentina	Electricity distribution	F.C.	100.0	100.0
Naturgy Argentina Gas y Electricidad, S.A.	Chile	Electricity distribution	F.C.	100.0	100.0
UFD Distribución Electricidad, S.A.	Spain	Electricity distribution	F.C.	100.0	100.0
Empresa de Distribución Electrica Chiriqui, S.A.	Panama	Electricity distribution	F.C.	51.0	51.0
Empresa de Distribución Electrica Metro Oeste, S.A.	Panama	Electricity distribution	F.C.	51.0	51.0
Gasoducto del Pacífico (Argentina) S.A.	Argentina	Gas infrastructures	F.C.	56.7	52.4
Gasoducto del Pacífico S.A.	Chile	Gas infrastructures	F.C.	60.0	55.4
Petroleum Oil & Gas España, S.A.	Spain	Gas infrastructures	F.C.	100.0	100.0
Unión Fenosa Gas Exploración y Producción, S.A.U.	Spain	Gas infrastructures	F.C.	100.0	100.0
Europe Maghreb Pipeline, Ltd.	United Kingdom	Gas infrastructures	F.C.	77.2	77.2
Natural Energy, S.A.	Argentina	Gas supply	F.C.	100.0	100.0
Gas Natural Serviços, S.A.	Brazil	Gas supply	F.C.	100.0	100.0
Naturgy Aprovisionamientos, S.A.	Spain	Gas supply	F.C.	100.0	100.0
Sagane, S.A.	Spain	Gas supply	F.C.	100.0	100.0
Gas Natural Europe, S.A.S. Sociéte en liquidation	France	Gas supply	F.C.	100.0	100.0
Naturgy LNG GOM Limited	Ireland	Gas supply	F.C.	100.0	100.0
Naturgy LNG Marketing Ltd	Ireland	Gas supply	F.C.	100.0	100.0
Naturgy Servicios, S.A. de C.V.	Mexico	Gas supply	F.C.	100.0	70.9
Naturgy LNG Singapore Pte. Ltd	Singapore	Gas supply	F.C.	100.0	100.0
Gas Natural Puerto Rico, Inc	Puerto Rico	Gas supply	F.C.	100.0	100.0
Naturgy LNG GOM, S.L.	Spain	Gas supply	F.C.	100.0	100.0
Comercializadora Regulada Gas & Power, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Gas Natural Comercializadora, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Commodities Trading, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Iberia, S.A.	Spain	Gas and electricity supply	F.C.	100.0	100.0
Naturgy Clientes, S.A.U.	Spain	Gas and electricity supply	F.C.	100.0	100.0



Company	Country	Activity	Method	Total % interest	
			of Consolidation (1)	% Controlling interest (2)	% Equity interest
Naturgy Comercializadora Empresas, S.A.U	Spain	Gas and electricity supply	F.C.	100.0	100.0
Berrybank 2 Asset Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank 2 Asset Trust	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank Development Pty, Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell 3 Development Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell Development Pty, Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Asset Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Asset Trust	Australia	Electricity generation	F.C.	100.0	74.0
Ryan Corner Development Pty, Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Cunderdin Development Finco Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Cunderdin Development Landco Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Cunderdin Development Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Global Power Generation Australia Pty, Ltd.	Australia	Electricity generation	F.C.	9865.0	74.0
Berrybank 2 Hold Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank 2 Hold Trust	Australia	Electricity generation	F.C.	100.0	74.0
Berrybank Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell 3 Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Crookwell Development Finco Pty Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Hold Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Hawkesdale Hold Trust	Australia	Electricity generation	F.C.	100.0	74.0
Ryan Corner Development Finco Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Paling Yards Development Finco Pty Ltd (PYDF)	Australia	Electricity generation	F.C.	100.0	74.0
Paling Yards Development Pty Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Fraser Coast Development Finco, PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Glenellen Development Finco PTY, Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Bundaberg Development Finco PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Bundaberg Solar Development PTY, Ltd.	Australia	Electricity generation	F.C.	100.0	74.0
Glenellen Asset Trust	Australia	Electricity generation	F.C.	100.0	74.0
Glenellen Asset PTY Ltd	Australia	Electricity generation	F.C.	100.0	74.0
Global Power Generation Brasil Geracao de Energia Ltda	Brazil	Electricity generation	F.C.	100.0	75.0
Guimaranía I Solar Spe Ltda.	Brazil	Electricity generation	F.C.	100.0	75.0

Company	Country	Activity	Method	Total % interest	
			of Consolidation (1)	% Controlling interest (2)	% Equity interest
Guimaranía II Solar Spe Ltda.	Brazil	Electricity generation	F.C.	100.0	75.0
Sertao I Solar Energía, SPE, Ltda	Brazil	Electricity generation	F.C.	85.0	63.8
Sobral I Solar Energía, SPE, Ltda	Brazil	Electricity generation	F.C.	85.0	63.8
Gestión y Servicios Cabo Leones II	Chile	Electricity generation	F.C.	51.0	38.3
GPG Generación Distribuida, S.p.A.	Chile	Electricity generation	F.C.	100.0	75.0
GPG Solar Chile 2017 SpA	Chile	Electricity generation	F.C.	100.0	75.0
Iberólica Cabo Leones II, S.A.	Chile	Electricity generation	F.C.	51.0	38.3
Inca de Varas I, SPA	Chile	Electricity generation	F.C.	100.0	75.0
Inca de Varas II, SPA	Chile	Electricity generation	F.C.	100.0	75.0
Parque Eólico Vientos del Pacífico, S.p.A	Chile	Electricity generation	F.C.	100.0	75.0
Almar Ccs, S.A.	Costa Rica	Electricity generation	F.C.	100.0	75.0
Unión Fenosa Generadora La Joya, S.A.	Costa Rica	Electricity generation	F.C.	65.0	48.8
Unión Fenosa Generadora Torito, S.A.	Costa Rica	Electricity generation	F.C.	65.0	48.8
Boreas Eólica 2, S.A.	Spain	Electricity generation	F.C.	89.6	89.6
Corporación Eólica de Zaragoza, S.L	Spain	Electricity generation	F.C.	68.0	68.0
Energías Ambientales de Somozas, S.A.	Spain	Electricity generation	F.C.	97.0	97.0
Naturgy Vento, S.A.	Spain	Electricity generation	F.C.	100.0	100.0
Global Power Generation, S.A.	Spain	Electricity generation	F.C.	75.0	75.0
J.G.C. Cogeneración Daimiel, S.L.	Spain	Electricity generation	F.C.	97.6	97.6
Naturgy Ciclos Combinados, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Generación, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Generación Térmica S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Renovables Canarias, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
Naturgy Renovables Ruralia, S.L.	Spain	Electricity generation	F.C.	75.0	75.0
Naturgy Renovables, S.L.U.	Spain	Electricity generation	F.C.	100.0	100.0
P.E. Nerea, S.L.	Spain	Electricity generation	F.C.	95.0	95.0
P.E. Peñaroldana, S.L.	Spain	Electricity generation	F.C.	95.0	95.0
Societat Eòlica de l'Énderrocada, S.A.	Spain	Electricity generation	F.C.	76.2	76.2
Tratamiento Cinca Medio, S.L.	Spain	Electricity generation	F.C.	90.0	90.0
Romera Eco Power, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Mangos Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0

Company	Country	Activity	Method	Total % interest	
			of Consolidation (1)	% Controlling interest (2)	% Equity interest
Encarnaciones Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
Sol Morón Energy, S.L.	Spain	Electricity generation	F.C.	100.0	100.0
ICE Andújar, S.L.	Spain	Electricity generation	F.C.	60.1	60.1
Sun&Wind Sierra Sur, A.I.E.	Spain	Electricity generation	F.C.	100.0	100.0
Montalto di Castro Solar S.R.L.	Italy	Electricity generation	F.C.	100.0	100.0
7V Solar Ranch, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Camino Solar Ranch, LLC	USA	Electricity generation	F.C.	100.0	100.0
Bar C Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Stonefield Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Esmeralda North Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Canoe Creek Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Defiance County Solar Project, LLC	USA	Electricity generation	F.C.	100.0	100.0
Agua Fria Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Front Range Midway Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Ft. Meade Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Grimes County Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Half Moon Solar Project, LLC	USA	Electricity generation	F.C.	100.0	100.0
Hayden Run Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Knickerbocker Solar Project, LLC	USA	Electricity generation	F.C.	100.0	100.0
1780 Solar Project, LLC	USA	Electricity generation	F.C.	100.0	100.0
Mark Center Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Marshville Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Yeager Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Naturgy Candela Devco LLC	USA	Electricity generation	F.C.	100.0	100.0
Naturgy Solar Operation USA LLC	USA	Electricity generation	F.C.	100.0	100.0
Rough Hat 2 Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Rough Hat Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Saguache County Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Scioto Farms Solar Project, LLC.	USA	Electricity generation	F.C.	100.0	100.0
Stone Mill Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0

Company	Country	Activity	Method	Total % interest	
			of Consolidation (1)	% Controlling interest (2)	% Equity interest
Summer Shade Solar, LLC	USA	Electricity generation	F.C.	100.0	100.0
Spanish Israeli Operation and Maintenance Company, Ltd.	Israel	Electricity generation	F.C.	100.0	100.0
El Gritón Solar S.A. de C.V.	Mexico	Electricity generation	F.C.	80.0	60.0
Fuerza y Energía Bii Hioxo, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Hermosillo, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Naco Nogales, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Norte Durango, S.A de C.V	Mexico	Electricity generation	F.C.	100.0	75.0
Fuerza y Energía de Tuxpan, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
GPG Energía México, S.A. de C.V.	Mexico	Electricity generation	F.C.	100.0	75.0
Energía y Servicios de Panamá, S.A.	Panama	Electricity generation	F.C.	51.0	38.3
Generadora Palamara La Vega, S.A.	Dominican Rep.	Electricity generation	F.C.	100.0	75.0
Naturgy Rinnovabili Italia, SRL	Italy	Electricity generation	F.C.	100.0	100.0
Naturgy Renouvelables France SAS	France	Electricity generation	F.C.	100.0	100.0
Foggia Solar SLR	Italy	Electricity generation		100.0	100.0
Bioenergía y valoraciones ambientales Sevilla, S.L.	Spain	Electricity generation	F.C.	65.0	65.0
Lignitos de Meirama, S.A.	Spain	Mining	F.C.	100.0	100.0
Naturgy Informática, S.A.	Spain	IT services	F.C.	100.0	100.0
Gas Natural Fenosa Engineering Brasil , S.A., En Liquidação	Brazil	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy Costa Rica, S.A.	Costa Rica	Engineering services	F.C.	100.0	75.0
Naturgy Engineering, S.L.	Spain	Engineering services	F.C.	100.0	100.0
Naturgy Ingeniería Nuclear, S.L.	Spain	Engineering services	F.C.	100.0	100.0
Operación y Mantenimiento Energy, S.A.	Spain	Engineering services	F.C.	100.0	75.0
Proyectos Balmes México, S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	75.0
Gas Natural Fenosa Ingenieria México, S.A. de C.V., En Liquidación	Mexico	Electricity generation	F.C.	100.0	100.0
Unión Fenosa Operación México S.A. de C.V.	Mexico	Engineering services	F.C.	100.0	75.0
Operations & Maintenance Energy Uganda Ltd	Uganda	Engineering services	F.C.	100.0	75.0
Natural Re, S.A.	Luxembourg	Insurance	F.C.	100.0	100.0
Naturgy Alfa Investments, S.A.U	Spain	Financial services	F.C.	100.0	100.0
Naturgy Capital Markets, S.A.	Spain	Financial services	F.C.	100.0	100.0
Naturgy Participaciones, S.A.U.	Spain	Financial services	F.C.	100.0	100.0

Company	Country	Activity	Method	Total % interest	
			of Consolidation (1)	% Controlling interest (2)	% Equity interest
Unión Fenosa Preferentes, S.A.U.	Spain	Financial services	F.C.	100.0	100.0
Naturgy Finance B.V.	Netherlands	Financial services	F.C.	100.0	100.0
Natural Servicios, S.A.	Argentina	Services	F.C.	100.0	100.0
Gas Natural do Brasil, S.A.	Brazil	Services	F.C.	100.0	100.0
Lean Grids Services Mexico, S.R.L.	Mexico	Services	F.C.	100.0	100.0
General de Edificios y Solares, S.L.	Spain	Services	F.C.	100.0	100.0
Naturgy Nuevas Energías, S.L.U.	Spain	Services	F.C.	100.0	100.0
Naturgy InnovaHub, S.L.U.	Spain	Services	F.C.	100.0	100.0
H2Meirama, S.L	Spain	Services	F.C.	100.0	100.0
Administración y Servicios ECAP, S.A. de C.V.	Mexico	Services	F.C.	100.0	100.0
Administradora de Servicios de Energía México, S.A. de CV	Mexico	Services	F.C.	100.0	70.9
Energía y Confort Administración de Personal, S.A. de C.V.	Mexico	Services		100.0	71.5
Sistemas de Administración y Servicios, S.A. de C.V.	Mexico	Services	F.C.	71.0	71.0
Naturgy Services, S.A.	Panama	Services	F.C.	100.0	100.0
Inversiones Hermill, S.A.	Dominican Rep.	Services	F.C.	100.0	100.0
Centrogas S.A.	Chile	Services	F.C.	100.0	55.6
Empresa Chilena de Gas Natural S.A.	Chile	Services	F.C.	100.0	55.6
Financiamiento Doméstico S.A.	Chile	Services	F.C.	99.9	55.5
Naturgy Chile Gas Natural, S.A.	Chile	Holding company	F.C.	92.3	92.3
GN Holding Argentina Comercializadora, S.A.	Argentina	Holding company	F.C.	100.0	92.3
Naturgy Argentina, S.A.	Argentina	Holding company	F.C.	100.0	100.0
Invergás, S.A.	Argentina	Holding company	F.C.	100.0	100.0
GN Holding Argentina, S.A.	Chile	Holding company	F.C.	100.0	92.3
Global Power Generation Chile, S.p.A.	Chile	Holding company	F.C.	100.0	75.0
GPG México Wind, S.L.U.	Spain	Holding company	F.C.	100.0	75.0
GPG México, S.L.U.	Spain	Holding company	F.C.	100.0	75.0
Holding de Negocios de Gas, S.A.	Spain	Holding company	F.C.	80.0	80.0
Holding Negocios Electricidad, S.A.	Spain	Holding company	F.C.	100.0	100.0
La Propagadora del Gas, S.A.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Acciones, S.L.U.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Distribución Latinoamerica, S.A.	Spain	Holding company	F.C.	100.0	100.0

Company	Country	Activity	Method of Consolidation (1)	Total % interest	
				% Controlling interest (2)	% Equity interest
Naturgy Electricidad Colombia, S.L.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Infraestructuras EMEA, S.L.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Inversiones Internacionales, S.A.	Spain	Holding company	F.C.	100.0	100.0
Naturgy Renewables USA Corp	USA	Holding company	F.C.	100.0	100.0
Naturgy Solar USA LLC	USA	Holding company	F.C.	100.0	100.0
Unión Fenosa México, S.A. de C.V.	Mexico	Holding company	F.C.	100.0	75.0
Distribuidora Eléctrica de Caribe, S.A.	Panama	Holding company	F.C.	100.0	100.0
Generación Eléctrica del Caribe, S.A.	Panama	Holding company	F.C.	100.0	75.0
Buenergía Gas &Power, LLC	Puerto Rico	Holding company	F.C.	95.0	71.3

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.

(2) Parent company's interest in the subsidiary

(3) Companies recognised as held for sale

## 2. Joint ventures

Company	Country	Activity	Method of Consolidation (1)	Total % interest	
				% Controlling interest (2)	% Equity interest
Gasoducto GasAndes, S.A. (Argentina)	Argentina	Gas infrastructures	E.M.	43.5	24.2
ENER RENNOVA, S.A.	Chile	Electricity generation	E.M.	40.0	40.0
Andes Operaciones y Servicios S.A.	Chile	Gas infrastructures	E.M.	50.0	27.8
Gas Natural Producción, S.A.	Chile	Gas infrastructures	E.M.	36.2	33.4
Gasoducto GasAndes, S.A. (Chile)	Chile	Gas infrastructures	E.M.	43.5	24.2
GNL Chile S.A.	Chile	Gas infrastructures	E.M.	33.3	18.5
Medina Partnership, S.A.	Spain	Holding company	E.M.	50.0	50.0
MEDGAZ, S.A.	Spain	Gas infrastructures	E.M.	49.0	24.5
Eléctrica Conquense, S.A.	Spain	Electricity distribution	E.M.	46.4	46.4
Eléctrica Conquense de Distribución, S.A.	Spain	Electricity distribution	E.M.	100.0	46.4
Colectora la Serrata, S.L.	Spain	Electricity generation	E.M.	35.7	35.7
Infraestructuras Eléctricas La Mudarra, S.L	Spain	Electricity generation	E.M.	36.6	36.6
Nueva Generadora del Sur, S.A.	Spain	Electricity generation	E.M.	50.0	50.0
Toledo PV, A.E.I.E	Spain	Electricity generation	E.M.	33.3	33.3
ROBLA HUB, S.L.	Spain	Electricity generation	E.M.	50.8	50.8
Infraestructuras San Serván SET 400, S.L.	Spain	Electricity generation	E.M.	19.2	19.2
Instalaciones San Serván II 400, S.L	Spain	Electricity generation	E.M.	23.8	23.8
Greene W2BM, S.L.	Spain	Electricity generation	E.M.	50.0	50.0
SET Veciana, S.L.	Spain	Electricity generation	E.M.	48.4	48.4
SEC Valcaire, S.L.	Spain	Electricity generation	E.M.	46.9	46.9
WIN4H2-R1, S.L.	Spain	Services	E.M.	50.0	50.0
Rice to Energy, S.L.	Spain	Services	E.M.	33.3	33.3
Evacuacion San Serván 400, S.L.	Spain	Electricity generation	E.M.	31.3	31.3
Gestión Integral de Reciclaje de Aerogeneradores, S.L	Spain	Electricity generation	E.M.	33.0	33.0
Gas Natural Vehicular del Norte Asociación en Participación	Mexico	Gas distribution	E.M.	51.3	36.4
CH4 Energía S.A. de C.V.	Mexico	Gas supply	E.M.	50.0	35.4
EcoEléctrica Holding, LLC.	Puerto Rico	Holding company	E.M.	50.0	35.6
EcoEléctrica, L.P.	Puerto Rico	Electricity generation	E.M.	100.0	35.6
EcoEléctrica LLC	Puerto Rico	Holding company	E.M.	100.0	35.6

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.

(2) Parent company's interest in the subsidiary

### 3. Jointly-controlled assets and operations

Company	Country	Activity	Method of Consolidation (1)	Total % interest	
				% Controlling interest (2)	% Equity interest
Bezana / Beguenzo	Spain	Gas infrastructures	P.C.	55.6	55.6
Boquerón	Spain	Gas infrastructures	P.C.	4.5	4.5
Casablanca	Spain	Gas infrastructures	P.C.	9.5	9.5
Chipirón	Spain	Gas infrastructures	P.C.	2.0	2.0
Montanazo	Spain	Gas infrastructures	P.C.	17.7	17.7
Rodaballo	Spain	Gas infrastructures	P.C.	4.0	4.0
Central Térmica de Anllares, A.I.E.	Spain	Electricity generation	P.C.	66.7	66.7
Centrales Nucleares Almaraz-Trillo, A.I.E	Spain	Electricity generation	P.C.	19.1	19.1
Comunidad de bienes Central Nuclear de Almaraz (Grupo I y II)	Spain	Electricity generation	P.C.	11.3	11.3
Comunidad de bienes Central Nuclear de Trillo (Grupo I)	Spain	Electricity generation	P.C.	34.5	34.5
Comunidad de bienes Central Térmica de Aceca	Spain	Electricity generation	P.C.	50.0	50.0
Comunidad de bienes Central Térmica de Anllares	Spain	Electricity generation	P.C.	66.7	66.7
UTE ESE Clece - Gas Natural	Spain	Services	P.C.	50.0	50.0

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.

(2) Parent company's interest in the subsidiary.



## 4. Associates

Company	Country	Activity	Method	Total % interest	
			of Consolidation (1)	% Controlling interest (2)	% Equity interest
Qalhat LNG S.A.O.C.	Oman	Gas infrastructures	E.M.	7.4	7.4
Sistemas Energéticos La Muela, S.A.	Spain	Electricity generation	E.M.	20.0	20.0
Sistemas Energéticos Mas Garullo, S.A.	Spain	Electricity generation	E.M.	18.0	18.0
Sociedade Galega do Medio Ambiente, S.A.	Spain	Electricity generation	E.M.	49.0	49.0
Bluemobility System, S.L. En Liquidación	Spain	Services	E.M.	20.0	20.0
Kromschroeder, S.A.	Spain	Services	E.M.	44.5	44.5

(1) Consolidation method: F.C. Full Consolidation, P.C. Proportionate Consolidation, E.M. Equity Method.

(2) Parent company's interest in the subsidiary

## Appendix II Changes in consolidation scope

The main changes in the consolidation scope in 2023 were as follows:

Company name	Operation category	Effective date of operation	Voting rights acquired / eliminated (%)	Voting rights after the operation (%)	Consolidation method after the operation
Nueva Electricidad del Gas, S.A.U, en Liquidación	Liquidation	January 5	100.0	—	—
<b>Cluster Solar Marisol acquisition</b>					
Romera Eco Power, S.L.	Acquisition	January 31	100.0	100.0	Full
Mangos Energy, S.L.	Acquisition	January 31	100.0	100.0	Full
Encarnaciones Energy, S.L.	Acquisition	January 31	100.0	100.0	Full
Sol Morón Energy, S.L.	Acquisition	January 31	100.0	100.0	Full
Sun&Wind Sierra Sur, A.I.E.	Acquisition	January 31	100.0	100.0	Full
Naturgy Comercializadora Empresas, S.A.U	Constitution	February 23	100.0	100.0	Full
Bundaberg Development Finco PTY, Ltd.	Constitution	March 6	100.0	100.0	Full
<b>Andújar Solar acquisition</b>					
Andujar 100 Solar, S.L. (1)	Acquisition	March 28	100.0	100.0	Full
ICE Andújar, S.L.	Acquisition	March 28	60.1	100.0	Full
H2Meirama, S.L.	Constitution	March 30	100.0	100.0	Full
Fraser Coast Development Finco, PTY, Ltd.	Constitution	March 30	100.0	100.0	Full
<b>Eólico Marisol acquisition</b>					
Hazas Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Josmanil Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Cabreras Wind Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Villanueva Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Villanueva Two Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Cortijo Nuevo Energy, S.L. (2)	Acquisition	April 27	100.0	100.0	Full
Greene W2BM, S.L.	Constitution	June 7	50.0	50.0	Equity
Lepe Solar 40, S.L. (2)	Acquisition	July 26	100.0	100.0	Full
<b>ASR Wind acquisition</b>					
ASR Wind, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Pujalt, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico del Magré, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Magaz, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Cova da Serpe II, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Sierra Sesnández, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Parque Eólico Loma del Capón, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Desarrollos Eólicos Manchegos El Pinar, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Energías Alternativas Castilla La Mancha, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
Energías Renovables del Duero, S.L. (2)	Acquisition	August 3	100.0	100.0	Full
SET Veciana, S.L.	Acquisition	August 3	48.4	48.4	Equity
SEC Valcaire, S.L.	Acquisition	August 3	46.9	46.9	Equity
Bioenergía y Valoraciones Ambientales Sevilla, S.L.	Acquisition	September 13	65.0	65.0	Full
First Independent Power (Kenya), Ltd.	Liquidation	September 21	100.0	—	—
Bundaberg Solar Development PTY, Ltd.	Acquisition	September 21	100.0	100.0	Full
Gas Natural Exploración, S.L.	Liquidation	October 16	100.0	—	—
Glenellen Asset Trust	Acquisition	October 27	100.0	100.0	Full
Glenellen Asset PTY Ltd	Acquisition	October 27	100.0	100.0	Full
Vulcan Solar Project, LLC	Alienation	November 21	100.0	—	—
Naturgy LNG, S.L.	Liquidation	December 21	100.0	—	—
GPG Ingeniería y Desarrollo de Generación, S.L.	Liquidation	December 28	100.0	—	—

(1) As indicated in Note 2.4.1, this company was merged with Naturgy Renovables, S.L.U. on 1 September 2023.

(2) As indicated in Note 2.4.1, these companies were merged with Naturgy Vento, S.A. on 30 November 2023 (until July 28, 2023, this company was called Energías Especiales Alcohólicas).

The main changes in the consolidation scope in 2022 were as follows:

Company name	Operation category	Effective date of operation	Voting rights acquired / eliminated (%)	Voting rights after the operation (%)	Consolidation method after the operation
Hamel Renewables Holdco LLC	Liquidation	19 january	100.0	—	—
Naturgy Perú, S.A	Liquidation	7 february	100.0	—	—
Infraestructuras San Serván SET 400, S.L.	Acquisition	8 february	33.3	33.3	Equity
Montalto di Castro Solar S.R.L.	Acquisition	8 march	100.0	100.0	Full
Metragaz, S.A.	Deconsolidation	31 march	76.7	—	—
Instalaciones San Serván II 400, S.L	Acquisition	7 april	23.8	23.8	Equity
WIN4H2-RI, SL	Acquisition	29 april	50.0	50.0	Equity
Cunderdin Development Finco Pty Ltd	Incorporation	8 april	100.0	100.0	Full
Cunderdin Development Landco Pty Ltd	Incorporation	8 april	100.0	100.0	Full
Cunderdin Development Pty Ltd	Acquisition	14 april	100.0	100.0	Full
Naturgy InnovaHub, S.L.	Incorporation	12 may	100.0	100.0	Full
Explotaciones Eólicas Sierra de Utrera, S.L.	Acquisition	31 may	25.0	100.0	Full
Desarrollo de Energías Renovables de Navarra, S.A.	Acquisition	31 may	50.0	100.0	Full
P.E. Cinseiro, S.L.	Acquisition	31 may	50.0	100.0	Full
Gasoducto Gasandes, S.A. (Argentina)	Disposal	15 june	3.5	24.2	Equity
Gasoducto Gasandes, S.A. (Chile)	Disposal	15 june	3.5	24.2	Equity
Rice to Energy, S.L.	Incorporation	30 june	33.3	33.3	Equity
Energías Especiales Alcohólicas, S.A.	Acquisition	12 july	18.0	100.0	Full
Evacuacion San Serván 400, S.L.	Acquisition	13 july	31.3	31.3	Equity
Gestión Integral de Reciclaje de Aerogeneradores, S.L.	Incorporation	13 july	33.0	33.0	Equity
Foggia Solar Srl	Acquisition	21 july	100.0	100.0	Full
GN Servicios Económicos, SAS	Liquidation	14 july	100.0	—	—
Gas Natural Servicios Integrales, SAS	Liquidation	3 august	100.0	—	—
United Saudi Spanish Power and Gas Services, LLC	Liquidation	24 august	100.0	—	—
Infraestructuras San Serván SET 400, S.L.	Disposal	15 november	13.8	19.2	Equity
Naturgy Almacенamientos Andalucía, S.A.	Disposal	15 de december	100.0	—	—

## Appendix III Naturgy tax group companies

The companies in the Naturgy tax group are as follows:

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Naturgy Energy Group, S.A.	Societat Eòlica de l' Enderrocada, S.A.
Nedgia Cegas, S.A.	Naturgy Inversiones Internacionales, S.A.
Nedgia Andalucía, S.A.	Unión Fenosa Preferentes, S.A.U.
Nedgia Castilla La Mancha, S.A.	Naturgy Participaciones, S.A.U.
Nedgia Navarra, S.A.	Naturgy Engineering, S.L.
Nedgia Catalunya, S.A.	Operación y Mantenimiento Energy, S.A.
Naturgy Iberia, S.A.	General de Edificios y Solares, S.L.
Petroleum Oil & Gas España, S.A.	GPG México, S.L.U.
Comercializadora Regulada Gas & Power, S.A.	Naturgy Electricidad Colombia, S.L.
Gas Natural Comercializadora, S.A.	GPG México Wind, S.L.U.
Naturgy Aprovisionamientos, S.A.	Nedgia Madrid, S.A.
Gas Natural Transporte SDG, S.L.	GPG Ingeniería y Desarrollo de Generación, S.L.
Gas Natural Exploración, S.L.	Global Power Generation, S.A.
Naturgy Renovables, S.L.U.	Nedgia Aragón, S.A.
Tratamiento Cinca Medio, S.L.	Nedgia Balears, S.A.
Boreas Eólica 2, S.A.	Nedgia, S.A.
Naturgy Informática, S.A.	P.E. Nerea, S.L.
Naturgy Renovables Canarias, S.L.U.	P.E. Peñarrodana, S.L.
Naturgy Renovables Ruralia, S.L.	P.E. Cinseiro, S.L.
Naturgy Future, S.L.U.	Gas Natural Redes GLP, S.A.
Holding de Negocios de Gas, S.A.	Naturgy Alfa Investments, S.A.U.
Sagane, S.A.	Naturgy Infraestructuras EMEA, S.L.
Naturgy Capital Markets, S.A.	Naturgy Nuevas Energías, S.L.U.
La Propagadora del Gas, S.A.	Naturgy LNG, S.L.
Naturgy Commodities Trading, S.A.	Holding Negocios Electricidad, S.A.
Naturgy Distribución Latinoamerica, S.A.	Naturgy Ingeniería Nuclear, S.L.
Eólica Tramuntana, S.L.	Naturgy Ciclos Combinados, S.L.U.
Naturgy Acciones, S.L.U.	Naturgy Generación Térmica S.L.U.
Naturgy Generación, S.L.U.	Naturgy Clientes, S.A.U.
J.G.C. Cogeneración Daimiel, S.L.	Naturgy LNG GOM, S.L.
UFD Distribución Electricidad, S.A.	Naturgy InnovaHub, S.L.U.
Lignitos de Meirama, S.A.	Naturgy Comercializadora Empresas, S.A.U.
Naturgy Vento, S.A.	H2Meirama, S.L.
Energías Ambientales de Somozas, S.A.	Europe Maghreb Pipeline, Ltd.

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## Appendix IV. Regulatory framework

### 1. European Regulatory Environment

The European regulatory environment is underpinned by Regulation (EU) 2021/1119 establishing the framework for achieving climate neutrality, known as the European Climate Law, which set a new net emissions reduction target of 55% in 2030 with respect to 1990 (against the former 40% target) and a climate neutrality emissions target in 2050, among other issues.

In order to achieve the new, more ambitious targets, a major part of the package of legislative proposals known as the "Fit for 55 Package", which proposes adjustments to European climate, energy, land use, transport and taxation policies, has been approved over the course of 2023. Among others matters, this legislative package includes amendments to the existing Directives and Regulations on emissions trading, promotion of renewable energy, energy taxation, energy efficiency and the internal market for natural gas, renewables and hydrogen.

The legislation approved during 2023 refers in particular to CO2 emission reduction policies, promoting renewable energies, energy efficiency and developing alternative fuel infrastructures:

- Regulation (EU) 2023/857 of 19 April 2023 amending Regulation (EU) 2018/842 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 in diffuse sectors. The 2030 emission reduction target for diffuse sectors in the EU is increased to 40% compared to 2005 (from the current 30%) with a target for Spain of 37.7% (vs. the current 26.6%).
- Regulation (EU) 2023/851 of 19 April 2023 amending Regulation (EU) 2019/631 as regards strengthening the CO2 emission performance standards for new passenger cars and new light commercial vehicles in line with the Union's increased climate ambition.
- Decision (EU) 2023/852 of 19 April 2023 amending Decision (EU) 2015/1814 as regards the number of allowances to be placed in the market stability reserve for the Union greenhouse gas emission trading system until 2030.
- Directive (EU) 2023/959 of 10 May 2023 amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814. Among other matters, it includes an increase in the decarbonisation target allocated to this policy instrument to 62% with respect to 2005 for sectors subject to emissions trading (ETS), it extends the ETS regime to cover the maritime transport sector and it creates a parallel emissions system for the road transport and building sectors.
- Regulation (EU) 2023/955 of 10 May 2023 establishing a Social Climate Fund to redress the social and distributional impacts on vulnerable customers and micro-enterprises and transport users resulting from the creation of the emissions trading system in the building and road transport sectors.
- Regulation (EU) 2023/956 of 10 May 2023 establishing a Carbon Border Adjustment Mechanism to protect sectors at risk of carbon leakage and replacing the free allocation of allowances in these sectors.
- Regulation (EU) 2023/957 of 10 May 2023 amending Regulation (EU) 2015/757 to incorporate shipping activities into the EU Emissions Trading Scheme and to track, report and verify additional greenhouse gas emissions and emissions from additional types of ship.
- Directive (EU) 2023/1791 of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955. It envisages, inter alia, an increase in the European energy saving target for 2030 set at an indicative -40.5% for primary energy and a binding -38% for final energy, compared to the reference scenario of 2007 (in the previous Directive: -32.5% binding for both primary and final energy).
- Regulation (EU) 2023/1805 of 13 September 2023 on the use of renewable and low-carbon fuels in maritime transport and amending Directive 2009/16/EC.

- Regulation (EU) 2023/1804 of 13 September 2023 on the deployment of alternative fuels infrastructure and repealing Directive 2014/94/EU.
- Directive (EU) 2023/2413 of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652. It envisages, inter alia, an increase in the overall European target for 2030 to 42.5% (previous target: 32%) of the share of renewables in final energy consumption (+2.5% aspirational to 45%).

In November and December, political agreements were reached in trilogues among the EU institutions (European Commission, Council of the European Union and European Parliament) on the remainder of the "Fit for 55" legislative package, pending formal ratification by the Council and Parliament and publication in the Official Journal of the European Union (OJEU). The following provisions are of particular importance:

- Directive amending the Energy Efficiency in Buildings Directive.
- Regulation and Directive amending the Regulation and Directive on the internal gas market, which includes the regulation of renewable gases and hydrogen and which, among other measures, extends the gas demand aggregation mechanism (although participation by companies will be voluntary).
- New Regulation on the reduction of methane emissions in the energy sector.

In addition, on 14 December, the European Council and Parliament reached a provisional agreement in trilogues on the electricity market reform proposal presented by the European Commission on 14 March 2023, which is also pending formal adoption by both institutions and publication in the OJEU. Subject to publication of the final text, the reform envisages, among other matters, the encouragement of forward contracting PPAs and contracts for differences for new generation investments, the elimination of the temporary nature of capacity mechanisms and the simplification of the approval procedure, greater system flexibility using demand response and storage, as well as measures to be adopted by member states in the event of a crisis and greater protection for end consumers. This proposal is part of a wider reform of the EU electricity market design, which also includes a regulation focused on improving market surveillance through better monitoring and transparency, with a provisional agreement on the Regulation on the Wholesale Energy Market Integrity and Transparency (REMIT) having been reached in November 2023.

As a continuation of the measures adopted in 2022 due to the war in Ukraine, on 31 March 2023 the Official Journal of the European Union (OJEU) published Council Regulation (EU) 2023/706 of 30 March 2023 amending Regulation (EU) 2022/1369 with the aim of prolonging the voluntary gas consumption reduction of 15% for the period from 1 April 2023 to 31 March 2024, with the same exceptions as already defined in Regulation (EU) 2022/1369.

Finally, in December the Energy Council agreed to extend the Regulations on emergency measures for a further year, published in the OJEU:

- Council Regulation (EU) 2023/2919 amending Regulation (EU) 2022/2576 on joint gas purchases and other measures to avoid excessive gas prices, such as the liquefied natural gas benchmark, as regards the prolongation of its period of application (extended until 31 December 2024).
- Council Regulation (EU) 2023/2920 amending Regulation (EU) 2022/2578 establishing a gas market correction mechanism as regards the prolongation of its period of application (extended until 31 January 2025).
- Council Regulation (EU) 2024/223 amending Regulation (EU) 2022/2577 laying down a framework to accelerate the deployment of renewable energy by shortening permit-granting procedures (extended until 30 June 2025).

## 2. Regulation of the energy industry in Spain

### 2.1. Regulation of the natural gas industry in Spain

#### 2.1.1. Main characteristics of the natural gas industry in Spain

The Spanish gas industry is regulated by Law 34/1998 of 7 October, on the hydrocarbons sector, Law 18/2014, Royal Decree-Law 1/2019, and their enabling regulations.

In general, the Spanish gas industry is characterised by the following factors:

- It is an industry in which regulated and unregulated activities coexist. The regulated activities consist of transport, regasification, storage and distribution of natural gas. The non-regulated activities comprise generation, supply and retailing of natural gas.
- It establishes the principle of economic and financial sustainability of the gas system and limits the annual mismatch between system revenues and costs.
- In compliance with EU legislation, the supply of natural gas in Spain has been fully liberalised with all Spanish consumers being free to choose their natural gas supplier since 1 January 2003, although a tariff of last resort is maintained for the lowest volume consumers. The supply activity is carried out by supply companies, including supply of last resort.

#### 2.1.2. Regulated activities in the natural gas industry

The main characteristics of regulated activities are (i) the need for prior administrative authorisation of a regulated nature, (ii) the allocation of a regulatory remuneration, (iii) the imposition of specific obligations on third party access to the network and (iv) the establishment of a specific arrangement for the separation of activities.

##### 2.1.2.1. Transport

The transport activity includes regasification, storage and transmission of gas in the strict sense through the basic very high pressure gas pipeline network:

The transport network is owned mainly by Enagás, S.A., although other companies, including various Naturgy investees, own a small proportion of it.

Under Royal Decree-Law 8/2023 of 27 December, transport system operators may act provisionally as hydrogen core network operators, pending the definitive designation of Hydrogen Network Operators in accordance with European regulations, and may carry out hydrogen core network development functions within the scope of common European interest projects.

##### 2.1.2.2. Distribution

Natural gas is transported from the very high pressure transport grid to the final consumer through the medium and low pressure grid.

The distribution business is based on a system of administrative authorisations that do not grant exclusive use rights. A zone distributor has preference to obtain authorisations for adjoining zones.

A distributor's activity is restricted to the expansion and Management of Distribution Networks; it cannot market power because specifically authorised supply companies are entrusted with supplies.

### 2.1.2.3. LPG supply

As well as natural gas distribution, Naturgy also supplies piped liquefied petroleum gas (LPG), regulated by Law 34/1998 on the oil and gas industry. The Ministry for the Ecological Transition and Demographic Challenge (MITERD) lays down the selling rates for piped LPG for end consumers and the assignment prices of LPG at which it is purchased by piped LPG distributors, laying down the specific rates or a system for automatically calculating and updating them. These prices are published in monthly resolutions.

### 2.1.3. Economic regime applicable to regulated activities

Following the approval of Royal Decree-Law 1/2019, the CNMC was entrusted with approving the remuneration methodologies in the natural gas sector which were applicable from 31 December 2020, and it was empowered to establish the methodology for access and capacity assignment in the gas system. Accordingly, the CNMC approved the following Circulars that determine, inter alia, the methodologies for remunerating gas activities that are applicable in the 2021-2026 regulatory period:

- Circular 2/2019 of 12 November 2019, which established the methodology for calculating the financial yield on the regasification, transportation and distribution of natural gas.
- Circular 8/2019 of 12 December 2019, as amended by Circular 9/2021 of 15 December establishing the method and conditions for access and allocation in the natural gas system.
- Circular 9/2019, of 12 December 2019, which establishes the methodology for determining the remuneration of natural gas transportation facilities and liquefied natural gas plants.
- Circular 4/2020, of 31 March, establishing the methodology for determining the remuneration for natural gas distribution.
- Circular 6/2020, of 22 July, establishing the methodology for calculating local grid transportation and regasification tolls for natural gas.
- Circular 8/2020, of 2 December, establishing the unit reference values for investment and for operation and maintenance for 2021-2026 and the minimum requirements for auditing investments and costs in natural gas transportation facilities and LNG plants.
- Circular 7/2021, of 28 July, establishing the methodology for calculating, overseeing, measuring and settling losses in the gas system.

Under the allocation of competences laid down in Royal Decree-Law 1/2019, the Ministry adopted Royal Decree 1184/2020 of 29 December establishing the methodologies for calculating the gas system charges, the regulated remuneration for basic underground storage facilities and the fees for their use.

In accordance with the methods mentioned above, the following resolutions applicable in 2023 were approved by the Ministry and the CNMC:

- CNMC Resolution of 19 May 2022 establishing the remuneration for the 2023 gas year for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.
- CNMC Resolution of 19 May 2022 establishing the access tolls for the transportation networks, local networks and regasification for the 2023 gas year (1 October 2022 to 30 September 2023).
- Order TED/929/2022, of 27 September, establishing the gas system charges and the remuneration and fees for basic underground gas storage facilities for gas year 2023 (from 1 October 2022 to 30 September 2023).



- CNMC Resolution of 30 May 2023 establishing the remuneration for the 2024 gas year (1 October 2023 to 30 September 2024) for companies carrying out regulated activities related to liquefied natural gas plants, transportation and distribution of natural gas.
- CNMC Resolution of 30 May 2023 establishing the access tolls for the transportation networks, local networks and regasification for the 2024 gas year (1 October 2023 to 30 September 2024).
- Order TED/1072/2023, of 26 September, establishing the gas system charges and the remuneration and fees for basic underground gas storage facilities for gas year 2024 (from 1 October 2023 to 30 September 2024).

## 2.1.4. Unregulated activities in the natural gas industry

### 2.1.4.1. Procurement

The supply of natural gas in Spain, in the form of gas or LNG, is mostly handled by gas operators such as Naturgy. Given the low relevance of natural gas production in Spain, although it is an unregulated activity, it is subject to two types of limit, basically to assure supply diversification and competition in the market: 1) no single country can supply more than 50% of the gas imported into Spain; and 2) no party or business group as a whole can supply natural gas for consumption in Spain in excess of 70% of national consumption, excluding self-consumption.

The promotion of renewable gases is one of the decarbonisation measures included in the National Integrated Energy and Climate Plan (PNIEC 2021-2030) and is reflected, inter alia, by the approval of the Hydrogen Roadmaps and the Biogas Roadmap. From a regulatory viewpoint, it is worth highlighting Royal Decree 376/2022 and Order TED/1026/2022 on guarantee of origin systems for gas from renewable sources, as well as the amendments introduced in Law 34/1998 and Royal Decree 1434/2002 to foster the development of renewable gases by regulating the connection of production plants to the existing natural gas transmission and distribution network.

### 2.1.4.2. Supply

The Supply activity is fully deregulated and customers are free to choose their supplier. As a deregulated activity, Supply is remunerated at a price freely agreed by the parties. However, the Law recognises the right of consumers connected to less than 4 bar who do not exceed a certain consumption threshold (50 MWh/year) to be supplied at a maximum price called the tariff of last resort (hereinafter TUR). The TUR is reviewed quarterly when cost variations so require, in accordance with the methodology established in Order ITC/1660/2009 of 22 June.

However, in view of the exceptional rise in international natural gas prices, Royal Decree-Law 17/2021 of 14 September introduced an exceptional limit on increases in the cost of the raw material to be passed on to the TUR, which was extended under successive Royal Decree-Laws, in particular Royal Decree-Laws 18/2022 and 20/2022, until 31 December 2023. Royal Decree-Law 8/2023 of 27 December has again extended this limitation until the TUR reviews of 1 April 2024. The amounts borne by last resort supply companies due to the application of this limit are recovered against the General State Budget.

Likewise, in order to allow domestic consumers with centralised boilers to benefit from a regulated tariff, the aforementioned Royal Decree-Law 18/2022 defined a new TUR tariff for community boilers on a temporary basis until 31 December 2023, which has also been extended by Royal Decree-Law 8/2023 until 30 June 2024. The flexibility measures introduced for the contracting of gas for industry and the self-employed have also been extended until 30 June 2024.

The tariffs of last resort (TUR) in force during 2023 are those published in the following Resolutions:

- Resolution of 22 December 2022 of the Directorate General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 January 2023.
- Resolution of 28 March 2023 of the Directorate General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 April 2023.

- Resolution of 27 June 2023 of the Directorate General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 July 2023.
- Resolution of 28 September 2023 of the Directorate General for Energy Policy and Mines, publishing the last resort tariff for natural gas to be applied from 1 October 2023.

### Organised gas market

The organised gas market was set up under Law 8/2015 and was subsequently developed by Royal Decree 984/2015 and other enabling regulations. The organised gas market managed by MIBGAS began operating in December 2015 with an Iberian outlook, although products with delivery on the Portuguese side did not start being negotiated until March 2021.

### Vulnerability

Royal Decree-Law 15/2018 brought in a thermal energy subsidy (“bono social térmico”), consisting of a single annual payment as direct assistance in paying for heating, hot water and cooking, to consumers that had availed themselves of the electricity subsidy (“bono social eléctrico”) at 31 December the previous year, irrespective of the fuel they use, or support for savings actions or improvements in energy efficiency. The amount to be received will depend on the degree of vulnerability and the climate zone. It is funded out of the General State Budget.

In view of the exceptional increase in natural gas prices since 2021, the amount of this aid and the budget allocation have increased and some of the measures adopted during the Covid-19 pandemic have been extended, such as the prohibition of supply cuts for vulnerable consumers or the flexibility measures for changes in the conditions of access contracts until December 2023 and, under Royal Decree-Law 8/2023, until June 2024.

In addition, Royal Decree-Law 17/2022 on urgent measures in the energy area reduced VAT from 21% to 5% for all gas consumers until 31 December 2022, and was extended until 31 December 2023 by Royal Decree-Law 20/2022 of 27 December. Royal Decree-Law 8/2023 published on 27 December maintains a reduced VAT rate for all gas consumers during the first quarter of 2024, but raises it to 10%.

## 2.2. Regulation of the electricity industry in Spain

### 2.2.1. Main characteristics of the electricity industry in Spain

The Spanish electricity sector is regulated by Law 24/2013 of 26 December and its implementing regulations.

In general, the electricity sector has the following main characteristics:

- It is an industry in which regulated and non-regulated activities coexist. The regulated activities consist of electricity transmission and distribution (as well as the operation of the system). The non-regulated activities comprise generation and sale of electricity.
- It establishes the principle of economic and financial sustainability of the electricity system and limits the mismatches due to income shortfalls.
- Revenues in the electricity industry derive from access tolls and other regulated prices, specific tax measures and, exceptionally, certain items in the General State Budget.
- In compliance with EU legislation, the supply of electricity Spain has been fully liberalised with all Spanish consumers being free to choose their electricity supplier, although regulated prices are maintained for the lowest volume consumers. The supply activity is carried out by supply companies, including the supply of last resort performed by the reference suppliers.

## 2.2.2. Regulated activities in the electricity industry

The regulated electricity transmission and distribution activities are characterised by the fact that access to them is subject to administrative authorisation, their remuneration is established by regulation, and their performance is subject to a number of specific obligations on the separation of activities into separate companies, with an obligation to maintain functional separation and to separate the brand and brand image, as in the case of the natural gas industry.

### 2.2.2.1. Transport

Electricity transmission links the plants with the distribution networks and specific final customers. The transmission grid is owned mainly by Red Eléctrica de España, although other companies, including Naturgy's subsidiary UF Distribución de Electricidad, S.A., own a small proportion of the secondary transmission network.

### 2.2.2.2. Distribution

Electricity distribution includes all activities that bring electricity from the high tension grid to the final consumer.

## 2.2.3. Remuneration framework for regulated activities

Following the approval of Royal Decree-Law 1/2019, the CNMC was entrusted with approving the remuneration methodologies in the electricity sector which were applicable from 1 January 2020, and laying down the methodology and conditions for access to the electricity system.

The CNMC approved the following Circulars defining the transmission and distribution remuneration methods for the period 2020-2025:

- Circular 2/2019 of 12 November, which established the method for calculating the financial yield on electricity transmission and distribution activities, based on the WACC method.
- CNMC Circular 5/2019 of 5 December, which established the method for calculating electricity transmission remuneration:
- CNMC Circular 6/2019 of 5 December, providing the methodology for calculating electricity transmission remuneration:
- Circular 7/2019 of 5 December, approving the standard installations and the unitary reference values for operation and maintenance by fixed asset to be used in calculating the remuneration of companies that own electricity transmission installations.

To apply the provisions of these Circulars, to date the CNMC has only published the Resolution of 27 July 2023 which lays down the remuneration of companies owning electricity transmission facilities for 2020. Therefore, it has yet to approve and publish the Resolutions establishing the remuneration of distribution companies and companies owning electricity transmission facilities for each of fiscal years 2020 (distribution only), 2021, 2022 and 2023, in accordance with the approved methodologies, which will replace the Resolutions it has been approving in January each year for the purposes of their provisional settlement on account of the definitive settlement.

The electricity system tolls and charges are approved annually in accordance with CNMC Circular 3/2020 of 15 January, which established the methodology for calculating electricity transmission and distribution tolls, and Royal Decree 148/2021 of 9 March, which laid down the methodology for calculating electricity system charges.

The electricity system tolls and charges applicable from 1 January 2023 were approved by the following instruments:

- CNMC Resolution of 15 December 2022 establishing the access tolls for the electricity transmission and distribution networks applicable as from 1 January 2023.

- Order TED/1312/2022 of 23 December setting the prices of the electricity system charges applicable as from 1 January 2023, and establishing various regulated costs for the electricity system for 2023.

The 80% rebate on tolls for electro-intensive supplies introduced in 2022 was extended for all of 2023. Royal Decree-Law 8/2023 of 27 December further extended this reduction until 30 June 2024.

Concerning the electricity system tolls and charges applicable as from 1 January 2024, the CNMC resolution of 21 December 2023 laying down the access tolls for the electricity transmission and distribution networks applicable as from 1 January 2024, was published in the Official State Gazette of 25 December 2023, and Royal Decree Law 8/2023 of 27 December extended the prevailing electricity system charges to 2024.

## 2.2.4. Unregulated activities in the electricity industry

### 2.2.4.1. Electricity generation

Law 24/2013 of 26 December on the Electricity Sector provides that the production of electrical energy is to be subject to the rules of free competition, although the commissioning, modification, temporary closure, transfer and final closure of facilities is subject to prior administrative authorisation. The remuneration for this activity derives from its participation in the electricity production market, made up of the forward, daily and intraday markets, unorganised markets and other services related to the security of the electricity system, such as adjustment and balancing services.

The Law also provides for the possibility of establishing capacity mechanisms. These mechanisms are governed by provisions establishing an investment incentive. The capacity mechanisms to be implemented should be in line with the provisions of Internal Market Regulation 2019/943. In order to implement capacity mechanisms, it is necessary that the system be shown to be inadequate on the basis of a European coverage analysis that may be complemented by an analysis at national level. In compliance with this regulation, in November 2023 the European Commission submitted Spain's Implementation Plan to public consultation as a prior step to the processing and authorisation of capacity mechanisms in Spain.

In addition, electricity generation is subject to various taxes created under Law 15/2012 of 27 December on fiscal measures for energy sustainability: 7% tax on the value of electricity production, taxes on the production and storage of nuclear waste and the water royalty. The 7% tax on the value of electricity production, the application of which was initially suspended for 2021 due to the exceptional rise in electricity market prices, has not been applied during 2023. Under Royal Decree-Law 8/2023, this 7% tax will be phased in over the course of 2024.

Along the same lines, the exceptional measure to reduce the remuneration of infra-marginal generation by the gas price internalised in the wholesale electricity market, initially introduced by RDL 17/2021, has continued to be applicable during 2023 (until 31 December). That reduction applies to all power generation facilities in mainland Spain using technologies that do not emit greenhouse gases, have a capacity of more than 10 MW, are not covered by any specific remuneration framework, and were not allocated in any of the renewable auctions that have been held, excluding energy covered by forward contracting instruments, both physical and financial, except for contracts concluded after 31 March 2022, for which a limit of 67 €/MWh is set above which a reduction is applied. This measure was not extended under Royal Decree-Law 8/2023 and it therefore expired on 31 December 2023.

Additionally, Royal Decree-Law 3/2023 of 28 March extended until 31 December 2023 the production cost adjustment mechanism for the reduction of electricity prices in the wholesale market introduced by Royal Decree-Law 10/2022 (initially until May 2023). This is a mechanism for adjusting the production costs of marginal fossil fuel technologies in the production market based on market natural gas prices, the effect of which is a reduction equivalent to this adjustment in the bids made by these technologies in the market, with the consequent reduction in the matching price, guaranteeing that these facilities will recover the adjustment which is financed by the demand that benefits from it. The extension of this mechanism, known as the "Iberian mechanism", was approved by the European Commission on 25 April 2023. However, this adjustment has not been applied since 27 February 2023, as the gas price is below the threshold for its application. This measure has not been extended by Royal Decree-Law 8/2023.

In relation to nuclear power plants, mention should be made of the approval, on 27 December 2023, of the 7th General Radioactive Waste Plan which entails a significant increase in the estimated future costs of the temporary management of spent nuclear fuel and radioactive waste, and the consequent processing of a draft Royal Decree proposing an increase of around 40% from 1 July 2024 in the fee paid by owners of nuclear power plants to finance ENRESA's costs.

Access and connection of generation facilities to electricity grids is regulated by the following provisions:

- Royal Decree 1183/2020 of 29 December on access and connection to the electricity transmission and distribution networks.
- CNMC Circular 1/2021 of 20 January establishing the methodology and conditions for access and connection to the transmission and distribution networks of electricity production facilities.

Royal Decree Law 8/2023 of 27 December brought in changes to the regulation of access and connection to electricity grids in order to promote the orderly incorporation of renewable energy production facilities into the electricity system, as well as orderly access to demand to avoid speculative hoarding. Among others matters, and on an exceptional basis, it extends the deadlines for accreditation of compliance with the administrative milestones of Royal Decree-Law 23/2020.

Royal Decree Law 8/2023 also brought in amendments to the Water Law to promote hydraulic energy storage based on reversible pumping stations, and the adoption of extraordinary measures to correct or mitigate the effects of drought.

#### 2.2.4.2. Renewable, high-efficiency cogeneration, and waste-to-power facilities

The regulation of renewable cogeneration and waste facilities and, in particular, their remuneration scheme is regulated, in accordance with Law 24/2013 on the electricity sector, by these two legal instruments and their implementing regulations:

- RD 413/2014 of 6 June regulating the activity of electricity production from renewable energy sources, cogeneration and waste, which developed the specific remuneration system provided for in Article 14.7 of Law 24/2013 on the Electricity Sector. This specific remuneration scheme is based on obtaining a reasonable return for standard facilities and comprises a term per unit of installed capacity (remuneration for the investment,  $R_{inv}$ ) which covers, where appropriate, the investment costs for each standard facility that cannot be recovered through the sale of energy on the market and, where appropriate, a term per unit of energy generated (remuneration for the operation,  $R_o$ ) covering the difference between the operating costs and the revenues from the market share of that standard facility, which is of particular importance for facilities with operating costs that depend essentially on fuel prices (as is the case, among others, for cogeneration, biomass and waste treatment plants).
- RD 960/2020 of 3 November regulating a new economic renewable energies scheme for electricity production facilities, issued under Royal Decree-Law 23/2020, as an alternative remuneration framework to the specific remuneration system, based on the long-term recognition of an energy price and granted by means of an auction mechanism. Under Royal Decree-Law 8/2023 of 27 December, non-financial awarding criteria may be included in auctions, which hitherto has not been allowed.

On 28 June 2023, Royal Decree Law 5/2023 was approved for adopting and extending certain measures in response to the economic and social consequences of the war in Ukraine, of which the following measures in relation to renewable energies and cogeneration should be highlighted:

- The deadline for accreditation of obtaining construction authorisation for projects at the preparatory stage was extended by 6 months; and
- The electricity market price references to be taken into account when updating the remuneration parameters of RECORE (renewable, cogeneration and waste) facilities for the 2023-2025 half-period, as well as fuel prices to be taken into account when updating operating remuneration for the first and second half of 2023, were adjusted on an exceptional basis.

Under this Royal Decree Law, on 30 June Order TED/741/2023 was approved which updated the remuneration parameters for standard facilities applicable to certain facilities that generate electricity from renewable sources, cogeneration and waste, for the purposes of their application to the regulatory semi-period 2023-2025.

Royal Decree Law 5/2023 also provided for the inclusion in the Electricity Sector Law of the basic regulations of the Citizen Energy Communities and the Renewable Energy Communities, in accordance with the provisions of the Community Directives.

For its part, Royal Decree Law 8/2023 of 27 December again extended the deadlines for accreditation of having obtained administrative authorisation for construction and operation and determined the estimated prices to be applied in updating the remuneration for operations in the first half of 2024.

#### 2.2.4.3. Supply

The Supply activity is fully deregulated and customers are free to choose their supplier. As a deregulated activity, Supply is remunerated at a price freely agreed by the parties.

However, consumers with power equal to or less than 10 kW may opt to use the open market or continue consuming under a regulated price supply (PVPC). The criteria for setting the PVPC have been regulated under successive legal instruments, particularly Royal Decree 216/2014; in any event, the PVPC must include all supply costs on an additive basis, including power generation costs, access tolls and supply costs.

Royal Decree 446/2023 was published in the Official State Gazette on 15 June 2023, amending Royal Decree 216/2014 on the methodology for calculating the PVPC to allow the indexation of the PVPC to forward signals, reducing its volatility. References from the forward markets were therefore gradually incorporated into the calculation of the production cost to be included in the PVPC from 1 January 2024, reducing its indexation to the daily and intraday market, in order to increase its stability. Likewise, this Royal Decree has included a new billing term in the PVPC that includes the cost of financing the energy subsidy that has fallen on the supply companies since the entry into force of Royal Decree Law 6/2022.

With the aim of also taking steps in relation to demand in the wholesale market, Royal Decree-Law 17/2022 on urgent measures in the energy area introduced an active demand response service managed by the System Operator through annual auctions, the first of which was held in October 2022, for the service to be provided between 1 November 2022, and 31 October 2023. On 4 December 2023, the second annual auction was held for the period 1 January 2024 to 31 October 2024.

In addition, Royal Decree-Law 18/2022 extended the flexibility measures relating to electricity contracting for companies and the self-employed under certain conditions until 31 December 2023, and these measures were again extended until 30 June 2024 under Royal Decree-Law 8/2023 of 27 December.

#### Vulnerability

Vulnerable consumers of electricity can avail themselves of an energy subsidy ("bono social") that is regulated in Article 45 of Law 24/2013 and Royal Decree 897/2017, which regulated the definition of vulnerable consumers, the energy subsidy and other forms of protection for residential consumers of electricity.

The subsidy consists of a discount of 25% on the electricity bill for vulnerable consumers and of 40% for very vulnerable consumers, subject to a cap on the amount of electricity consumed; both subsidies are means-tested on the basis of the household's total income and number of children. The regulations also lay down special conditions for consumers at risk of social exclusion. In addition, a Minimum Vital Supply has been established for the beneficiaries of the energy subsidy, which prohibits cutting off the service due to non-payment for six months in addition to the existing four months, guaranteeing maximum power.

In 2021, in view of the exceptional price rises, these discounts were extended until 31 December 2023 and under Royal Decree-Law 8/2023 of 27 December they were extended again until 30 June 2024, standing at 65% for the vulnerable and 80% for the severely vulnerable. The consumption limits qualifying for the energy subsidy have again been extended, as has the category of consumers entitled to the energy subsidy and the new social justice category with a 40% discount, effective in all these cases until 30 June 2024.

Since Royal Decree-Law 6/2022, the energy subsidy has been financed by all parties in the electricity system (generators, carriers, distributors, suppliers and direct consumers in the market). The CNMC is entrusted with calculating the distribution each year and the Ministry is responsible for approving, by Order, the unit values to be applied each year by each player in each activity. Order TED/81/2023 of 27 January approved the distribution of the amounts to be financed in relation to the energy subsidy for 2023.

The reduction in VAT from 21% to 5% was also extended until 31 December 2023 for <10 kW consumers, provided that the market price exceeds 45 €/MWh and, in any event, for consumers that receive the energy subsidy, as has the reduction in electricity tax (from 5.1% to 0.5%), complying with the minimum limits under the Directive. Pursuant to Royal Decree-Law 8/2023 of 27 December, the reduced VAT applicable to the electricity supply has been increased to 10% from 1 January 2024 until 31 December 2024 in the same conditions, and the Special Electricity Tax (IEE) will be phased back in, increasing in the first quarter of 2024 from 0.5% to 2.5%, and in the second quarter to 3.8%. Furthermore, in accordance with Royal Decree Law 8/2023, the prohibition on cutting off supply to vulnerable consumers in the event of non-payment will remain in force until 30 June 2024.

#### 2.2.4.4. Energy efficiency

Spanish Law 18/2014 established a national system of energy efficiency obligations under which an annual energy saving quota (saving obligation) is assigned to gas and electricity supply companies, oil product wholesalers and liquefied petroleum gas wholesalers. Royal Decree-Law 23/2020 extended the validity of this national system until 2030.

The mechanism whereby liable parties must fulfil this obligation is through a monetary contribution to the National Energy Efficiency Fund (FNEE). Royal Decree 36/2023 of 24 January was published on 26 January 2023, establishing a System of Energy Saving Certificates as an alternative to the contribution to the FNEE. The regulations for implementing the system were issued subsequently. It is envisaged as a voluntary and alternative measure (fully or partially), such that by 2023, 40% of the obligations may be covered via Energy Saving Certificates.

Each year a ministerial order stipulates each liable party's obligations to make contributions to the National Energy Efficiency Fund. Order TED/296/2023 of 27 March established the obligations for 2023.

## 2.3. Other regulations in Spain

Concerning taxation, the publication in the Official State Gazette on 28 December 2022 of Law 38/2022 of 27 December should be noted, which creates a temporary energy tax of 1.2% of revenue for 2022 and 2023 (calendar years prior to those in which the payment obligation arises: 2023 and 2024) for the main operators in the energy sectors, excluding, inter alia, income from regulated activities. Royal Decree-Law 8/2023 of 27 December includes the extension of this tax during 2024, announcing the introduction in the next General State Budget Law of a tax incentive for strategic investments in energy transition to be made after 1 January 2024, as well as its integration into the tax system in 2024.

## 3. Regulation of the natural gas industry in Latin America

### 3.1. Main characteristics of the natural gas industry in Latin America

In all these countries, gas industry regulations are well-established and stable, and are implemented and administered by independent regulators.

- This is an industry in which regulated and unregulated activities coexist:
  - Regulated activities: natural gas transportation and distribution, and supply to customers at a regulated tariff.

- Non-regulated activities: production, supply and delivery of natural gas to unregulated customers by supply companies.
- The principle of the economic and financial sustainability of regulated activities is reflected in periodic tariff updates to adjust for inflation and fluctuations in natural gas prices, and regulatory periods of 4 or 5 years in which Comprehensive Tariff Reviews are conducted in order to define the maximum tariffs for the entire tariff period. These tariffs must be approved by the regulatory body in each country, except in the case of Chile where the distribution company is free to set its own tariffs but must comply with a limit on the return on its investments.
- The degree of regulation of the supply of natural gas to customers in the open market varies in each country. Markets are currently being opened up to a greater number of customers, depending on the range of consumption, and access to the transmission grids is being liberalised. In all countries where Naturgy operates in the distribution area, supply to the residential market continues to be a regulated activity carried out by the distribution company.
- As the supply of natural gas to regulated tariff customers is the responsibility of the distribution companies, they must conclude supply contracts with various supply companies in order to obtain natural gas under appropriate conditions (volumes and flexibility) for supplying these customers.

### 3.1.2. Regulated activities in the natural gas industry in Latin America

The regulated activities in the countries where Naturgy operates (Mexico, Brazil, Argentina and Chile) are broadly similar: the distribution business is based on a concession regime regulated by law and concession agreements in each country, which specify, inter alia, the characteristics of the service, the scope of the regulated market, the return on investments and the updating of tariffs.

#### 3.1.2.1. Transport

This consists of transporting natural gas from entry points (LNG plants, well-heads, international pipeline entries) to the distribution companies' delivery points (city gates).

The transportation networks are owned by transport companies. Naturgy does not engage in this activity to any significant extent in any of these countries.

#### 3.1.2.2. Distribution

Natural gas is transported from the very high pressure transport grid to the final consumer through the medium and low pressure grid.

The distribution activity is based on a system of fixed-term concession agreements which may be extended and which do not entail exclusive rights of use (there is generally no exclusivity in the concession areas).

Distribution companies' activities are restricted to expansion, Distribution Network Management and the supply of natural gas to non-deregulated customers or deregulated customers that choose to be supplied by the distribution company.

Revenues from the distribution activity are obtained via tolls (distribution tariff) paid by all regulated market and open market customers connected to the distribution network.

The main characteristics of the regulated natural gas distribution activities are i) the need for a concession agreement ii) the conclusion of a natural gas supply contract between the distributor and a supply company for supplying regulated customers at the distributor's tariff iii) validation by the regulator of this supply contract and iv) access to the transportation network.



### 3.1.3. Economic regime applicable to regulated activities in Latin America

#### 3.1.3.1. Distribution in Brazil, Mexico and Argentina

In these countries the regulatory model is based on a price cap in which the Regulator sets the maximum tariffs for the following 5-year regulatory period (Annual Tariff Review). These maximum tariffs are based on economic sufficiency to adequately remunerate all costs, capital and operating expenses which distribution companies are required to incur in order to carry out the activities included in the concession agreement.

The calculation of these revenues is based on the projection of the investment plan, operating expenses, asset base, and depreciation for the 5-year tariff period. The rate of return at which the assets are remunerated is also calculated. The rate of return calculated is an actual rate, discounting the inflation forecast for the tariff period. Tariff updates are carried out at different intervals in each country to adjust for the effect of inflation and variations in natural gas prices.

#### 3.1.3.2. Distribution Chile

In Chile, the regulatory model is based on the revenue cap system in which the distribution company is free to set tariffs. Each year, the regulatory body verifies the return obtained by the distribution company to ensure that it is below a specified limit (which varies based on asset age).

The rate of return consists of the discount rate that equals the present value of the flows associated with the distribution business margin (sales revenue less operating costs) with the value of the assets. In the event that the return exceeded the established rate, the Law would oblige the Regulator to set mandatory tariffs for low consumption customers.

The asset base is valued every 4 years using the new replacement value method.

The capped rate of return is calculated each year, also using an actual rate, and therefore the asset base is updated for inflation and the tariffs set by the distribution company may take this inflation adjustment into account.

### 3.1.4 Regulatory situation of natural gas distribution companies in Latin America

#### 3.1.4.1. Brazil

There are three different concessions in Brazil, two in the state of Rio de Janeiro (CEG and CEGRIO) and a third in the state of São Paulo (SPS). Regulation in Brazil is based on a price cap model in which the regulator sets maximum tariffs with a gas price pass through. The tariffs in Brazil for 2018-2023 are those originally set for the previous regulatory period (2013-2017) although the tariffs for 2018-2022 and 2023-2027 are currently being negotiated.

##### CEG and CEG RIO

On 24 March 2021, the Rio de Janeiro State regulator (AGENERSA) released Resolutions 4198/2021 and 4199/2021 with the outcome of the 4th Tariff review for CEG and CEG RIO, respectively. Subsequently, on 29 March 2021, AGENERSA suspended the validity and enforcement of the Resolutions for the 4th Tariff Review of CEG and CEG RIO to enable the Granting Authority to come to a decision on the Third Addendum. On 14 June 2021, AGENERSA issued its decision to maintain the effects of the Resolution that had been suspended, thereby re-establishing the procedural terms for the decisions contained therein. The concessionaires appealed against this decision and AGENERSA's Resolution is expected to be issued in the first quarter of 2024.

At the Regulatory Session held on 25 May 2023, the application of the annual readjustment to the margins of CEG and CEG RIO was ensured:

- Two increases were applied in 2023: a) an increase of +7.1% to compensate for the difference between the adjustment applied in the period 1 December 2020 to 30 November 2022 (+10.74%) and the adjustment that would have been applicable due to the variation in the IGP-M inflation index (+17.8%), and b) an increase of +5.90% due to the variation in the IGP-M inflation index from 1 December 2021 to 30 November 2022, applicable as from 1 January 2023.

On 27 December 2023, AGENERSA approved the new gas distribution rates for CEG and CEG RIO, which include adjustments for the variance between the natural gas price and the IGP-M index, effective from 1 January 2024.

#### Gas Natural Sao Paulo Sur, S.A. (SPS)

On 26 May 2023, the Regulatory Agency of Public Services of the State of São Paulo (ARSESP), under Resolution No. 1410/23, approved a tariff update of the annual readjustment of SPS margins by the inflation rate of -2.21% for the period 1 June 2023 to 31 May 2024.

In addition, the following adjustments have been applied with respect to the margins in effect at 31 May 2023:

- Margin increase of +7.05% each year (to be applied in four annual stages, with the 2023 adjustment being the third year of application) for the residential, collective residential and commercial segments, relating to the staggered update of the accumulated change in the IGP-M for the period April 2020 to April 2021 (+32.02%).
- Compensatory adjustment of +6.97% for the delayed implementation of the result of the 4th RTI.
- Compensatory adjustment of +21.56%, to the residential, collective residential and business segments relating to the IGP-M variation for the period May 2019 to April 2020 (one-year delay in application).
- Compensatory adjustment of +7.77%, to the other consumption segments (except residential and business) referring to the amount of the variation in the IGP-M not applied for the period May 2019 to April 2020 (two-year delay in application).

#### 3.1.4.2. Mexico

The tariff period for the Valle de México distribution zone ended on 31 July 2022. The business plan was submitted in May 2022 and therefore the current tariff will be maintained until the new tariff is approved.

For the Tabasco, Campeche and Merida distribution areas the period ends in December 2023, and for Península it ends in June 2024. The business plans for Tabasco, Campeche and Mérida were submitted on 4 December 2023 and the Regulator is expected to issue the corresponding resolutions in May 2024. Península's business plan will be presented in January 2024.

On 9 May 2023, Resolution A/009/2023 of the Energy Regulatory Commission was published in the Official Journal of the Federation, which amended Agreement A/037/2016 and established the new criteria and methodology for determining verification or inspection visits to be carried out in the hydrocarbons sector.

In accordance with the provisions of the 2023 Regulatory Programme, on 9 May 2023 the Energy Regulatory Commission (CRE) sent the National Regulatory Improvement Commission (CONAMER) the draft "General Administrative Provisions specifying the methodology for the determination of tariffs for Natural Gas Pipeline Transportation and Storage activities" and on 24 May it sent the "Agreement whereby the Energy Regulatory Commission issues the General Administrative Provisions on the development of systems, open access and provision of piped Natural Gas Distribution services", for public consultation on CONAMER's website.

On 20 July 2023, Resolution No. A/023/2023 was published in the Official Gazette of the Federation (DOF) which reinstated the legal terms and deadlines in the CRE, three years after the suspension began.

Concerning the Comprehensive Tariff Review 2021-2025, the Energy Regulatory Commission approved the Resolutions that determine the revenues and approve the maximum tariffs for the fifth regulatory period from 1 January 2021 to 31 December 2025 for distribution permits in the Monterrey, Distrito Federal, Bajío, Saltillo, Toluca and Nuevo Laredo regions.

The maximum tariffs approved in these resolutions, including updates for inflation, are an average of 5.8% lower than the previous tariffs.

As of December 2023 appeals had been filed for the above-mentioned zones except for Nuevo Laredo, which is currently being prepared.

### 3.1.4.3. Argentina

The company has two gas distribution concessions in Argentina, Naturgy BAN, S.A. (part of the province of Buenos Aires) and Gasnor, S.A. (provinces of Tucumán, Salta, Jujuy and Santiago del Estero). The regulatory model in Argentina is based on a price cap set by the regulator (ENARGAS) and is very similar to that in Mexico and Brazil, with the pass-through of gas costs.

On 4 January 2023, the Regulatory Body (ENARGAS) held Public Hearing no. 103 in order to present the proposal for the transitory adjustment of natural gas distribution tariffs and the tariff update due to fluctuations in gas prices. Naturgy BAN and Gasnor both submitted a proposal for an average tariff increase of +189% applicable from 1 February 2023 at the Hearing.

On 1 March 2023, under resolutions 105/23 and 102/23, ENARGAS approved the tariff adjustment to bring natural gas prices at the Point of Entry into line with the Transport System (PIST) and the bonuses defined by the Energy Secretariat, and approved the new tariffs effective from 1 March 2023. These decisions have been appealed against by the Distribution Companies.

On 28 April 2023 ENARGAS publishes Resolutions 191/23 and 195/23, approving the new transitional tariffs, valid until the Comprehensive Tariff Review is approved.

On 23 May 2023, the Energy Secretariat transferred part of the balances due relating to compensation for the discounts included in invoices due to the energy subsidy under Resolution MINEM 508/17.

On 2 August 2023, under Resolution 389, ENARGAS initiated the final stage of the Comprehensive Tariff Review procedure in order to conclude the Final Renegotiation Agreements with the Public Natural Gas Distribution and Transportation Service Licensees, requiring all Licensees to submit an Investment Plan for the provision of the regulated service for the following five years and a proposal for the Renegotiation of the Initial Tariff Review (RTI). The distribution companies Naturgy BAN and Gasnor responded to the requests for information on 18 and 29 September 2023.

On 14 December 2023, under Resolution 2023/704, ENARGAS called a public hearing for 8 January 2024 to discuss the transitory tariff increases and, with regard to the reversion of the northern gas pipeline, the determination of pricing and capacity allocation criteria.

On 16 December 2023, Decree 55/2023 was published in the Official Gazette of the Argentine Republic declaring an emergency in the national energy sector for 2024, thereby enabling the Energy Secretariat to implement mechanisms for setting energy tariffs in order to maintain income levels in real terms and cover investment needs to guarantee the provision of services. 31 December 2024 was set as the deadline for approving the tariffs relating to the Comprehensive Tariff Review for natural gas distribution companies. During this period, ENARGAS may determine transitory tariff adjustments and periodic adjustments on account of the tariff tables of the tariff review.

On 27 December 2023, the Argentinian President sent a Bill entitled "Bases and Starting Points for the Freedom of Argentines" to Congress which declares a public emergency in economic, financial, fiscal, social, health, security, defence, tariff and energy matters until 31 December 2025 and which provides the following in relation to natural gas distribution:

- Amendment to Law 24076 raising the period for the extension of licences from 10 to 20 years without altering the procedure and the deadline for exercising this right.
- Unification of the Gas and Electricity Regulators.
- Creation, modification, transformation and/or elimination of energy sector trust funds created by law, including those earmarked for subsidies, reviewing their origin and destination.

On 29 December 2023 ENARGAS, under Resolution 735, changed the method for passing on local taxes in invoices, allowing the application of the new rates determined by municipal authorities for taxes that are in force without the need for prior authorisation from ENARGAS, without prejudice to the relevant reporting requirements and any audits that may be carried out.

#### 3.4.1.4. Chile

In Chile, tariffs may be set freely subject to a cap on returns. Tariffs are therefore set by the distributor, which is also responsible for supply. Annual profitability may not exceed a specific rate of return. The law currently governing the natural gas industry is the Decree with Force of Law No. 323 of 1931, of the Ministry of the Interior, and the "General Law on Gas Services", as last amended by Law No. 20999 published in the Official Gazette of 9 February 2017.

In this context, in July 2017, the National Energy Commission established the rules for the production of the Annual Profitability Report by concession areas of concessionaires of the public service of piped gas distribution, which will apply until the corresponding regulations are issued.

On 29 June 2022, the Chilean government submitted a Bill for the improvement of the gas market. In the natural gas area, the Bill establishes that distribution concession companies with gas purchase contracts signed with companies of the same business group or with related persons or entities must include the costs and revenues associated with the gas supply by their related supplier in their profitability test. The Bill under consideration would render inapplicable Transitional Article 12 of Law 20999, on the basis of which the CNE verified the efficiency of the supply contract between Metrogas and its related company Aproveisionadora Global de Energía S.A. The Bill provides for a reduction in the maximum rate of return allowed for assets over 20 years old, from 9% to 6%. At 31 December 2023, this Bill had begun its passage through parliament but it has not yet been approved and a new Bill with a broader scope is expected to be proposed.

A Committee of Experts set up by the Ministry of Energy has been convened to analyse possible regulatory improvements to the natural gas market, having submitted a report with its conclusions on 22 May 2023. Based on this report, the development of the latter Bill with a broader scope is envisaged, which could result in major changes in the national regulatory model. At 31 December 2023, this new Bill had not yet been submitted for its processing and possible approval.

## 4. Regulation of the international electricity sector

### 4.1. Main characteristics of the international electricity industry

In all these countries, electricity sector regulations are well-established and stable; legislation is developed and administered by independent regulators.

- This is an industry in which regulated and unregulated activities coexist:
  - Regulated activities: transmission, distribution and supply of electricity to customers at a regulated tariff.
  - Non-regulated activities: generation and supply of electricity to unregulated customers by supply companies.
- The principle of the economic and financial sustainability of regulated activities is reflected in periodic tariff updates to adjust for inflation and regulatory periods of 4 or 5 years in which Comprehensive Tariff Reviews are conducted in order to define the maximum tariffs for the entire tariff period. These tariffs must be approved by regulators in each country.
- The degree of regulation of the electricity supply to customers in the open market varies in each country. In countries where Naturgy operates in the distribution area, namely Panama and Argentina, electricity supply to the residential market continues to be a regulated activity carried out by the distribution company.

- As the supply of electricity to regulated tariff customers is the responsibility of the distribution companies, they must conclude supply contracts with generators and supply companies to have the energy and capacity required to supply these customers.

## 4.2. Regulated activities in the international electricity industry (Latin America)

As in the natural gas industry, the electricity sectors in the countries where Naturgy provides distribution services, namely Panama and Argentina, are broadly similar: the distribution business is based on a concession regime regulated by law and under concession agreements in each country, which specify, inter alia, the characteristics of the service, the scope of the regulated market, the return on investments and the updating of tariffs.

### Transport

Electricity transmission links power generation plants and international transmission grids with distribution networks and customers. Naturgy's involvement in the transmission business is insignificant.

### Distribution

Electricity distribution comprises all activities required to deliver energy from the high-voltage transmission grid to end consumers, as well as the supply of electricity at a regulated tariff to customers who are not in the free market (based on consumption and power range).

### 4.2.1. Remuneration framework for regulated activities

The remuneration model in both Panama and Argentina is based on a price cap model. The Regulatory Body is responsible for setting the maximum tariffs for the following regulatory period (Annual Tariff Review). These maximum tariffs are based on economic sufficiency to adequately remunerate all costs, capital and operating expenses which distribution companies are required to incur in order to carry out the activities included in the concession agreement.

#### 4.2.1.1. Panama

Although the regulatory model in force in Panama is a price cap, unlike in Argentina, income is calculated by projecting investments and operating expenses based on efficiency equations that are calculated based on the performance data of a group of companies (USA and Panama), i.e. it is a projective model whose parameters are based on a benchmarking process with comparable companies.

The rate of return calculated is an actual rate which discounts the inflation forecast for the tariff period, and therefore tariffs are updated to adjust for the effect of inflation (to the extent determined by the regulator) and variations in electricity prices.

The regulatory period in Panama is 4 years.

The range of potential fluctuations in this rate of return is established by law. The regulator sets the rate to be applied during the subsequent regulatory period based on an economic analysis. The upper limit in this range is the sum of 800 basis points and the 30-year US T-bond yield plus 200 basis points, while the lower limit is the sum of 800 basis points and the 30-year US T-bond yield minus 200 basis points.

#### 4.2.1.2. Argentina

The regulatory model in Argentina for electricity distribution is very similar to the regulatory model for natural gas distribution. It is based on the price cap model where the regulator sets the maximum tariffs for the next regulatory period (5 years).

The calculation of these revenues is based on the projection of the investment plan, operating expenses, asset base, and depreciation for the 5-year tariff period. The rate of return at which the assets are remunerated is also calculated. The rate of return calculated is an actual rate, discounting the inflation forecast for the tariff period. Tariff updates are therefore carried out at different intervals in each country to adjust for the effect of inflation and variations in electricity prices.

As this is a price cap system relying on incentive-based remuneration, distribution companies make significant efforts during the regulatory period to reduce operating costs so that, at the end of the tariff period, customers may benefit from a reduction in tariffs in the following tariff period due to lower unit operating costs.

## 4.2.2. Regulatory situation of international electricity distribution companies (Latin America)

### 4.2.2.1. Panama

On 31 March 2022, the regulatory body (ASEP) issued Resolution AN-17542, amended by Resolution AN-17554, extending the validity of the Tariff Schedule of the distribution companies EDEMET and EDECHI, approved for the period 1 July 2018 to 30 June 2022, while the studies for the new Maximum Permitted Revenue (IMP) for the period July 2022 to June 2026 were being performed and until the new Tariff Schedules were approved.

On 19 January 2023, under Resolution AN-18166, the Rate of Return (RTI) applicable to the period 1 July 2022 to 30 June 2026 was approved.

On 21 June 2023, the regulatory body (ASEP) published Resolution AN-18496 whereby it approved the Maximum Permitted Income (IMP) of the electricity distribution companies EDEMET and EDECHI for the period 1 July 2022 to 30 June 2026. The results obtained from the approved IMP represent an increase of approximately 25% of the Distribution Added Value with respect to the previous RTI, in line with the increase in investments that are planned for the period July 2022 to June 2026 for the development, growth and modernisation of the distribution network in the concession area of the distribution companies EDEMET and EDECHI.

These new tariff schedules generate an increase in the average price for Regulated Customers of +3.18% for EDEMET and +1.26% for EDECHI vs. the previous average prices, and were approved on 5 October 2023 by Resolution AN-18737. Therefore, the application of the new RTI 2022-2026 from October 2023 was formalised, which will be updated half-yearly for inflation in the January-June and July-December periods each year, as provided in the methodology of the Distribution and Supply Regulations and based on the adjustment rates established and approved by Resolution AN-18719 of 28 September 2023.

### 4.2.2.2. Argentina

In Argentina, each provincial jurisdiction has its own regulation to establish the Distribution Added Value (VAD). That is, each province is the grantor of the Public Electricity Distribution Service in its area. However, the values relating to the acquisition cost of energy, capacity and transmission are pass through values and are subject to national regulation.

The tariff scheme in the province of San Juan, where Naturgy operates through Energía San Juan S.A., consists of five-yearly Ordinary Tariff Reviews (RTO) and half-yearly Extraordinary Tariff Reviews (RTE). The latter restate the variables contained in the VAD, make market projections and make adjustments (between estimated and actual figures) to taxes, levies and charges that are not set out explicitly in the invoices for the service.

The RTO process envisaged in the Concession Agreement, which lays down the tariffs for the five-year period from 2021 to 2025, was completed early in 2021. Subsequently, public hearings have been systematically held for the four subsequent RTEs.

In February 2023, the Provincial Electricity Regulator approved EPRE Resolution 152/23, authorising an increase of 97.1% in the VAD (Distribution Added Value) for Energía San Juan S.A., effective from 23 January 2023. The tariff increase was 70.2% because part of the increase in the VAD was covered by the Regulator with resources from the Tariff Containment Fund, applying the amounts relating to the Special Credit Regime under Article 87 of Law 27591.

As a result of the contribution made by this Fund, the end-user tariff increased by 27.6% as from 1 April 2023 while for consumption between 23 January and 31 March 2023, user tariffs did not vary due to the extraordinary contribution from the Tariff Containment Fund.

On 30 August 2023, the Provincial Electricity Regulator approved EPRE Resolution 884/23, authorising an increase of 86.3% in the VAD (Distribution Added Value) for Energía San Juan S.A., effective from 23 July 2023. In the same Resolution, 1,110 million pesos derived from the differences between the actual and projected tariff update rates for the first half of 2023 was written off for the distribution company. As a result, the end-user tariff was increased by 30.6%.

The Provincial Regulator (EPRE) ordered that these tariff increases would be applicable from 31 August 2023. For the period from 23 July to 31 August 2023, the differences in the distribution company's income due to the non-application of the updated tariffs was recognised by means of a transfer from the Tariff Containment Fund.

### 4.3. Unregulated activities in the international electricity industry

#### 4.3.1. Generation

Naturgy, through its subsidiary Global Power Generation (GPG), operates as a power generator in Mexico, Panama, Costa Rica, the Dominican Republic, Puerto Rico, Chile, Brazil and Australia. It is also active in electricity generation, mainly through solar technology projects in the United States.

##### 4.3.1.1. Costa Rica and Puerto Rico

The Group generates electricity under Power Purchase Agreements (PPA) with local enterprises in the sector, which are vertically integrated state-owned companies with exclusive responsibility for transmission, distribution and supply.

In the case of Costa Rica, contracts have been concluded with the Costa Rica Electricity Institute (ICE) to which the La Joya hydroelectric plant was handed over in 2023, fulfilling the commitment established in the PPA after 20 years of operation.

In Puerto Rico, an energy and power sale contract has been concluded with the state-owned Puerto Rico Electric Power Authority (PREPA). In Puerto Rico, changes are taking place in the sector, as transmission, distribution and electricity system operator operations are being privatised. LUMA Energy has been responsible for operating and managing the electricity transmission and distribution system since 1 June 2021. The company chosen with respect to generation operations was Genera PR, which since July 2023 has been responsible for operating, maintaining and decommissioning generation assets owned by PREPA.

##### 4.3.1.2. Panama

Electricity is sold through bilateral contracts with distributors as a result of auctions carried out by the Transmission Company (ETESA) and approved by the National Public Services Authority (ASEP), and on the market.

During 2023 there were no regulatory changes affecting Naturgy's generation operation in this country, but new tenders for bilateral contracts (financial PPAs) with distribution companies are expected in 2024.

##### 4.3.1.3. Dominican Republic

GPG has two fuel oil generation plants, Palamara with a capacity of 102 MW and La Vega with a capacity of 92.5 MW. Both plants operate in the wholesale electricity market. These plants cover 3% of the country's demand.

The Dominican Republic's Electricity Market is governed by Electricity Law 125-01 with implementing regulations 555-02 and, in the renewable sector, by Law 57-07. This Law lays down the general regulatory framework for the electricity sub-sector, applicable to the production, transmission, distribution and sale of electricity, and establishes the functions and powers of government bodies involved in this area.

GPG plants in the Dominican Republic participate in the SPOT market. This is a marginalist market paid by dividing the maximum demand for the year between thermal and hydroelectric plants, based on their availability statistics for the last 10 years. The Coordination Body is responsible for conducting market transactions and issuing settlements between participants.

#### 4.3.1.4. Mexico

The company generates power under PPAs, and sells electricity as an Independent Power Producer (IPP) for sale to the Comisión Federal de Electricidad (CFE). Surpluses are delivered to partners and are traded on the Wholesale Electricity Market (MEM). In addition, financial energy transactions are carried out through bilateral contracts with third parties. These last two procedures were created under the 2013 Energy Reform. Additionally, the Bii Hioxo wind farm became operational during 2014, which delivers the power it generates to various partners for their own needs.

In 2019, significant measures were enacted in the area of electricity generation such as the creation of a pilot emissions trading scheme for 2020-2022, the cancellation of long- and medium-term electricity auctions, and the merger of power generation subsidiaries back into the CFE.

In 2020, an Emissions Trading System was created in Mexico as a pilot programme for the period 2020-2022, with 2022 being the transition year under the Agreement that laid down the rules of the ETS Pilot Programme. The final basis of this system was in the process of being defined in 2023, which will determine the rules for participation and the allocation of emission allowances for each participating sector until 2025.

The Reform of the Electricity Industry Law (LIE) was published on 9 March 2021. The main changes were as follows: modification of the order of dispatch by technologies, the revision of IPP contracts, the creation of Physical Delivery of Energy and Capacity contracts between Basic Service Suppliers and the granting of Clean Energy Certificates regardless of the date of entry into operation. However, this law was appealed against by companies operating in the sector and it has been definitively suspended. Accordingly, the 2014 law remains in force.

In the oil and gas sector, the Reform to the Hydrocarbons Law was published on 4 May 2021; the main implications refer to the granting of permits that are contingent upon accreditation of the storage capacity determined by the Ministry of Energy (SENER), the revocation of permits in the event of repeat violations and fuel smuggling, and the possibility of suspension of permits due to imminent danger to national security, energy security or the national economy, establishing the procedure for the suspension of permits. This reform was suspended on 26 May 2021. The reform continued to be suspended in 2023 until all the appeals have been ruled on. The 2014 law therefore remains in force.

The Reform of the Thirteenth Transitory Provision of the Hydrocarbons Law was published on 19 May 2021; it suspended the power granted to the Energy Regulatory Commission (CRE) to adapt to asymmetric regulation principles the sale of hydrocarbons, petroleum and petrochemicals, as well as commercialisation carried out by persons controlled by PEMEX or its subsidiaries. It was also established that the alienation performed by Petróleos Mexicanos, its production subsidiaries or a legal entity on behalf of the State would be considered as a sale under the provisions of the Hydrocarbons Law and its Regulations and therefore the principles of generality and non-discrimination stipulated therein must be observed. This reform was suspended on 21 June 2021 by the Second District Judge and on 14 June 2023 it was declared unconstitutional by the National Supreme Court.



#### 4.3.1.5. Chile

GPG won a tender in August 2016 to supply electricity to regulated customers under a long-term Power Purchase Agreement (PPA) with distributors with a duration of 20 years. To meet this commitment, GPG has developed and constructed two projects (wind and solar) which entered service in 2021 with a total installed capacity of approximately 330 MW. In addition, GPG is developing and constructing 12 “small means of distributed generation - PMGD” plants (9 MW maximum power) which, under current regulations, have access to a Stabilised Node Price regulated for a term of up to 14 years. The total accumulated capacity of these projects is approximately 53 MW, with 11 projects in commercial operation at end-2023 with an installed capacity of 44 MW and one project yet to enter service in 2024.

Law 21505 was published at the end of 2022 promoting the development of electricity storage systems and electromobility. It allows any party interested in investing in this technology to do so, taking part in the short-term electricity market and being eligible for remuneration for the electricity transferred into the system.

During 2023, an initiative to reform the General Electricity Services Law (LGSE) in relation to decarbonisation and the energy transition was submitted to the National Congress with the aim of establishing a strategy that will allow the energy sector to meet the goal of becoming a carbon neutral and resilient country by 2050, an objective that has been established as a legal mandate in the Framework Law on Climate Change.

The ninth transitional provision under this reform initiative envisages an international public tender for the design, construction, operation and maintenance of large-scale storage system infrastructure, which is expected to come into operation before 2026 and mobilise an investment of close to two billion dollars.

#### 4.3.1.6. Australia

GPG built and, since November 2018, has operated the Crookwell 2 96 MW wind generation project in New South Wales under a 20-year contract, with regulated tariffs for energy fed to the system. In 2018, GPG was awarded 180 MW of generation capacity from the Berrybank 1 wind project in Victoria, which commenced operations in April 2021. In this case the contract consists of a 15-year bilateral Power Purchase Agreement at a regulated tariff.

In early 2023, commercial operation of the 10 MW/20 MWh ACT Battery energy storage system commenced, enhancing the quality of power supplied to the city of Canberra. This installation is part of the commitments acquired through the construction of the Berrybank 2 wind farm, the third wind generation project in the country, which began operating in the middle of this year and consists of a second stage of the Berrybank 1 wind farm, with a capacity of 109 MW.

In addition to the four facilities (Crookwell 2, Berrybank 1, Berrybank 2 and ACT Battery) already in operation, there is a robust portfolio of projects under construction and advanced development with a combined capacity of 1.5 GW concentrated in the states of Victoria, New South Wales, Western Australia and Queensland. The projects currently under construction and scheduled for commissioning in 2024 are the 218 MW Ryan Corner wind farm with an installed capacity of 218 MW, the 58 MW Crookwell 3 wind farm, the 97 MW Hawkesdale wind farm and the Cunderdin battery-solar hybrid project.

This last project is GPG's first solar hybrid project in the country. It will have an installed solar photovoltaic capacity of 128 MW and a 55MW/220 MWh battery energy storage system. It is currently not covered by any PPA and if no such agreement is concluded in 2024 it will sell its energy on the market.

In November 2023, Naturgy's Board of Directors approved the construction of two further solar projects: 100 MW Bundaberg in Queensland and 260 MW Glenellen in New South Wales. Both projects have committed part of their production under 10-year PPA agreements and are scheduled to start operating in 2025.

#### 4.3.1.7. Brazil

GPG operates in Brazil through four photovoltaic generation plants with a total capacity of 153 MW that came into operation in 2017 and 2018 and have 20-year contracts for the sale of reserve energy to Câmara de Comercialização de Energia Elétrica (CCEE).

#### 4.3.1.8. USA

Naturgy Group's activity in the United States focuses on electricity generation based on solar technology, with more than 30 projects in different stages of development and construction, focusing on five markets: CAISO (California, Nevada, Arizona), ERCOT (Texas), PJM (Ohio, Kentucky), NYISO (New York) and Southeast (Florida).

From a regulatory viewpoint, we should note the federal approval in August 2022 of the American Inflation Reduction Act (IRA), which provides major tax incentives for the promotion of renewable energies and decarbonisation, and which rewards, through additional bonuses, investments with a higher domestic production content or located in the so-called Energy Communities. These are economically depressed areas and/or areas with high pollution rates close to mines or coal-fired power plants that have been closed down or which meet certain statistical unemployment criteria.

During the first half of 2023, the IRS (Internal Revenue Service) Department of Treasury Guidelines were published which set out the criteria for determining the local manufacturing content of projects and the requirements for identifying an energy community, in order to benefit from the above bonuses in addition to the tax incentives.

At state level, Texas has enacted a number of energy laws. These include House Bill 1500 and Senate Bill 2627 which aim to increase the reliability and resilience of the energy grid with new ERCOT (Electric Reliability Council of Texas) reporting obligations on operators and new incentives for grid reinforcement, storage and back-up technologies, among others matters. The other two draft laws that required new controls and more extensive environmental procedures for renewables projects, as well as an increase in interconnection costs for such projects, were eventually not approved.

Concerning the processing of permits, it is worth noting the approval of new regulations in some states within the PJM electricity market such as Ohio, which now requires a favourable opinion from the local authority for the issuance by the competent authority at state level of administrative permits for the construction of projects, which is causing many new projects to be rejected.

Finally, there is also a process for reviewing the rules of the managers of the various interconnection systems, most of which are supervised by the Federal Energy Regulatory Commission (FERC), with the aim of decongesting the interconnection queues in their respective areas of operation. This has resulted in the participants in the system being faced by stricter conditions, resulting in increased costs and risk for operators who need to secure an interconnection position for their projects.

**CONSOLIDATED DIRECTORS' REPORT**

# Consolidated Directors' Report for the year ended 31 December 2023

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# 1. Company situation

## 1.1 Corporate mission, purpose and values

Naturgy Energy Group, S.A. was incorporated in 1843. Its registered office is located at Avenida de América 38, Madrid. In 2023, the company celebrated 180 years of providing solutions to advance society.

Naturgy Energy Group, S.A. and subsidiaries (hereinafter, Naturgy) is a group engaged in the production, distribution and supply of energy and services. Our business model, focused on value creation, is committed to the sustainable development of society by ensuring a supply of competitive safe energy with maximum respect for the environment.

Naturgy operates in over 20 countries, supplying gas and electricity to almost 16 million customers, with market shares of 44.3% in gas contracts and 14.6% in electricity contracts in Spain, installed capacity of more than 17.1 GW and a diversified power generation mix.

It operates in regulated and liberalized gas and electricity markets, and international activities are making a growing contribution, mainly in the following areas:

- Gas and electricity distribution
- Electricity generation and supply
- Natural gas infrastructure, procurement and supply

Naturgy's **mission** is:

- To respond to the energy needs of society by offering quality and environmentally-friendly products and services.
- To respond to the needs of our shareholders by offering increasing and sustainable returns.
- To respond to the needs of our employees by offering them the opportunity to develop their professional skills.

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

While not forgetting our roots, our vision for the future aims to transform the current business model and lay the foundations to continue creating value through the energy transition, focusing on renewable energy, developing renewable gas (hydrogen and biomethane) by leveraging our leading position in the conventional natural gas market, and promoting energy efficiency and the circular economy.

Our purpose as a company is that “We are transforming the world through energy by resolutely tackling the challenges of the energy transition and the demands of society and our customers, and working with excellence, transparency and the talent of a committed team. And we want to do this in partnership with our employees, customers, shareholders and partners.”

## *Transforming together*

And we verbalize it through the claim “Transforming together” and the four values that define us:

### **Forward Vision: innovating for a better tomorrow**

We are transforming the world through innovation, proactivity and adaptability, addressing the challenges and seizing the opportunities of the energy transition, new business models and digitalisation.

### **Excellence Driven: excellence in what we do**

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

### **People Oriented: transforming from the most human side**

We are transforming the world through proximity, transparency and trust, through a firm commitment to people – employees, customers, shareholders and partners – and leveraging talent and passion to have a positive impact.

### **One Planet: for a more sustainable society**

We are transforming the world through sustainability, respect and commitment to the environment, society and corporate governance, evidencing that we are a responsible company that contributes significantly to the progress, welfare and future of the planet.

## 1.2. Business model and organizational structure

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

Through a process of constant transformation, Naturgy has reorganized its business around two large strategic areas (Distribution Networks and Energy Markets) that lend visibility to business performance and serve as the basis for defining the following operational segments:

- **Distribution Networks:** groups together the business segments devoted to the management of regulated gas and electricity distribution and transport infrastructures:
  - **Gas Spain:** encompasses the regulated gas distribution business in Spain.
  - **Gas Mexico:** encompasses the regulated gas distribution and supply business in Mexico.
  - **Gas Brazil:** encompasses the regulated gas distribution and supply business in Brazil.
  - **Gas Argentina:** encompasses the regulated gas distribution and supply business in Argentina.
  - **Gas Chile:** encompasses the gas network and supply business in Chile.
  - **Electricity Spain:** encompasses the regulated electricity distribution business in Spain.
  - **Electricity Panama:** encompasses the regulated electricity distribution and supply business in Panama.
  - **Electricity Argentina:** encompasses the regulated electricity distribution and supply business in Argentina.

In 2022, these segments formed the Networks Iberia and Networks Latin America areas. This block also includes a holding company carrying out cross-cutting activities directly linked to the grouping's businesses.

- **Energy Markets:** includes the deregulated business segments as follows:
  - **Energy Management:** includes the following activities:
    - sale of liquefied natural gas and maritime transport (International LNG until 31 December 2022).
    - management of gas supply and other gas infrastructures and sale to large energy-intensive consumers (at 31 December 2022, all these activities were part of the Markets and Procurement segment).
    - management of the Medgaz pipeline, accounted for under the equity method (Gas Pipelines until 31 December 2022).
  - **Thermal Generation:**
    - **Spain:** includes the management of conventional Thermal Generation (which uses fuel for heat generation and which is not covered by a special scheme) in Spain (nuclear and combined cycle).
    - **GPG Latin America:** includes management of conventional Thermal Generation facilities of Global Power Generation (GPG) in Mexico, Dominican Republic and Puerto Rico, the latter accounted for using the equity method through EcoEléctrica LP.
  - **Renewable Generation:**
    - **Spain:** includes the management of facilities and generation projects for wind energy, mini hydro, solar and cogeneration, additionally incorporating hydroelectric power generation in Spain, as well as the development portfolio in other European countries.
    - **GPG Latin America:** includes the management of the facilities and renewable electricity generation projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
    - **GPG Australia:** includes the management of the facilities and the renewable electricity generation projects of GPG in Australia.
    - **United States:** includes the management of photovoltaic generation projects in the United States.
  - **Renewable Gases:** includes management of renewable gas projects, specifically biomethane and green hydrogen. At 31 December 2022, it was included in the Renewables and New Business segment.

- **Supply:** its objective is to manage the commercial model for end customers for gas, electricity and services, incorporating new technologies and services and developing the full potential of the brand.

In 2022, these segments made up the Energy Management, Renewables and New Business and Supply areas. A holding company carrying out cross-cutting activities directly linked to the grouping's businesses is also included.

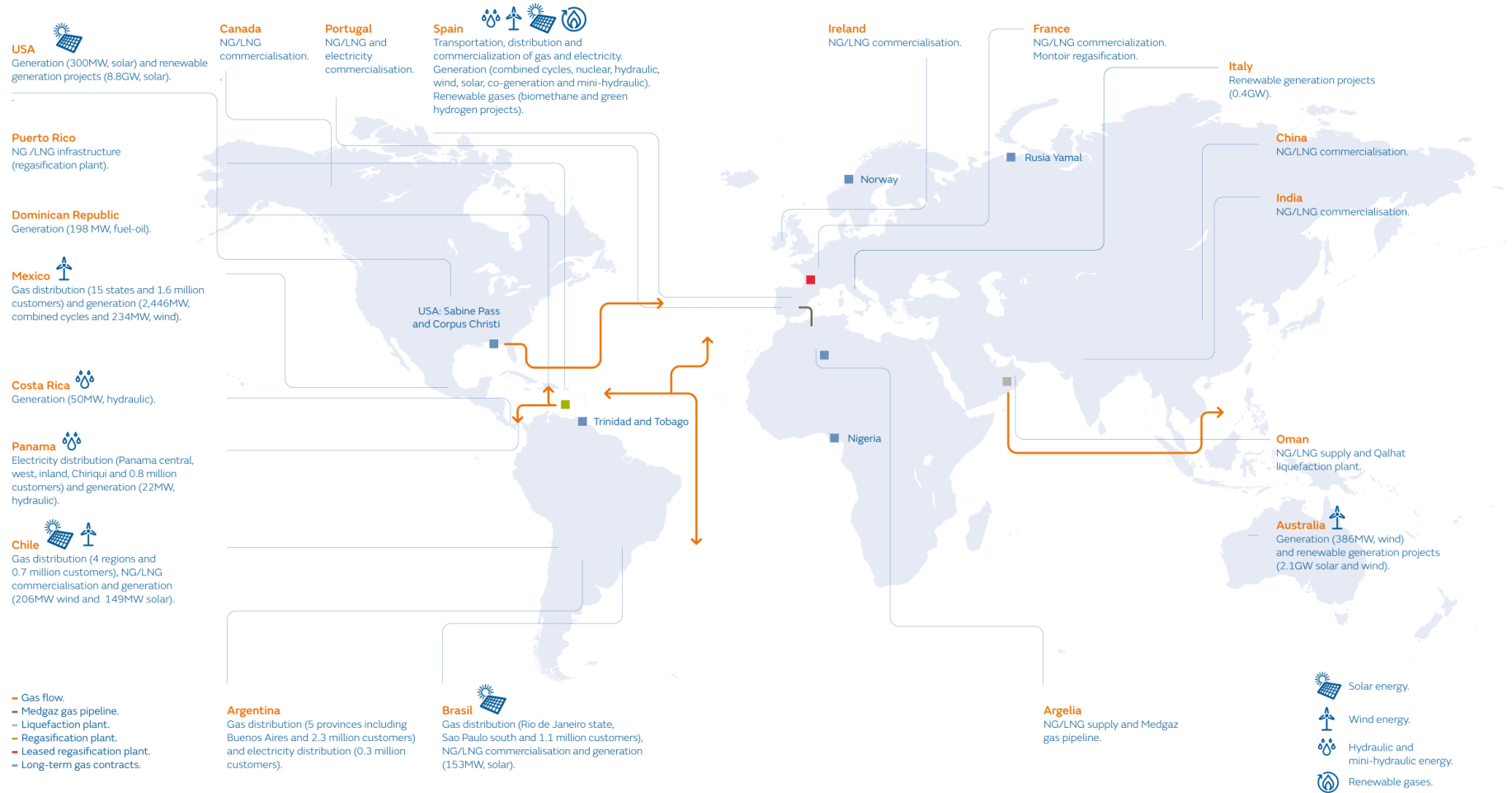
- **Rest:** basically includes the corporation's operating expenses and other activities considered as New Business at 31 December 2022.

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 guaranteeing 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.

Appendix I to the Consolidated Annual Accounts details the companies that form part of Naturgy and the activities in which they engage.



## Geographic footprint



## Leadership in the gas business

Gas					
	Distribution Networks	Infrastructure	Procurement	Renewable Gases	Supply
	<b>11.1 million</b> supply connections <b>136,970 km</b> of network	LNG carriers on long-term lease Medgaz transportation pipeline	A supply portfolio totalling ~ <b>21 bcm</b>	A biomethane plant with an installed capacity of ~ <b>2 MW</b>	<b>248.6 TWh</b> of gas supplied
Our positioning	<p><b>Spain</b> Leader in Spain with a <b>70%</b> market share, distributing natural gas to <b>5.4 million</b> customers in more than 1,200 municipalities in ten autonomous regions.</p> <p><b>Latin America</b> Latin America's leading distributor, catering for more than <b>5.7 million</b> customers. Presence in Argentina, Brazil, Chile, Mexico and in five of the largest cities in those countries.</p>	<p>Seven LNG carriers (<b>1.16 Mm3</b>).</p> <p><b>24.5%</b> interest in Medgaz gas pipeline.</p> <p>Stake in the Ecoeléctrica regasification plant and Qalhat liquefaction plant.</p> <p><b>0.8 bcm</b> of leased storage capacity.</p>	<p>Business model based on diversification and flexibility that has made Naturgy a global operator with a strong international profile.</p> <p>Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).</p>	<p><b>Biomethane:</b> installed capacity of <b>0,3 TWh</b> in production or injection. Two owned production plants and a portfolio of 38 projects under development for producing biogas and upgrading to biomethane for injection into the natural gas grid.</p> <p><b>Green hydrogen:</b> Naturgy has worked on the development of large production hubs linked to just transition zones, especially in areas affected by the closure of thermal power plants.</p>	<p>More than <b>3.5 million</b> retail and industrial customers in Spain and LNG sales in numerous countries worldwide.</p> <p>A global operator with the flexibility to tap markets offering attractive margins.</p> <p><b>44.3 %</b> market share in gas contracts in Spain.</p> <p>Competitive supply to combined cycle plants (CCGT).</p>
	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.	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.	Naturgy has a diversified and flexible portfolio of procurement contracts, with price adjustment mechanisms.	The existence in parallel, and gradual substitution, of renewable gases in the group's current distribution infrastructure will drive decarbonization in both existing networks and in sectors that use gas (manufacturing, residential and transportation).

## A key player in the electricity business

Electricity				
	Distribution Networks	Thermal Generation	Renewable Generation	Supply
	<b>4.9 million</b> supply connections <b>156,232 km</b> of network	<b>10.6 GW</b> of generating capacity	<b>6.5 GW</b> of generating capacity	<b>20.6 TWh</b> of electricity supplied
Our positioning	<p><b>Spain</b> The third-largest operator in the Spanish market, where it distributes electricity to <b>3.8 million</b> customers.</p> <p><b>Latin America</b> Presence in Argentina and Panama <b>1,1 million</b> customers).</p> <p>Naturgy has a leadership position in the markets where it operates.</p>	<p><b>Spain</b> <b>8.0 GW</b> of capacity (7.4 GW CCGT and 0.6 GW nuclear). Coal-fired power generation was discontinued in June 2020.</p> <p>Naturgy's market share is <b>17.32%</b>.</p> <p><b>International</b> <b>2.6 GW</b> of capacity: 2.4 GW CCGT (Mexico) and 0.2 GW oil-fired (Dominican Republic).</p>	<p><b>Spain</b> <b>5 GW</b> of capacity (2.1 GW hydroelectric, 2.4 GW wind, 0.4 GW solar and 0.1 GW cogeneration).</p> <p>Naturgy's market share, excluding cogeneration, is <b>6.8%</b>.</p> <p><b>International</b> <b>1.5 GW</b> of capacity: 0.1 GW hydroelectric (Costa Rica and Panama), 0.8 GW wind (Mexico, Chile and Australia), and 0.6 GW solar (USA, Brazil and Chile).</p>	<p>Leader in the mainstream consumer and residential segments, with a total market share in Spain of <b>14.6%</b>.</p> <p>One of the main traders in the Spanish market.</p> <p>A dual energy offering and a broad range of value-added services.</p>
	Our strength	Naturgy is efficient in terms of operation and maintenance costs in the electricity distribution business.	Naturgy has considerable know-how in the power generation technologies it operates and its infrastructure can adapt to the needs of each energy model and to the reality of each country.	Naturgy has a good position focused mainly on growth in Spain, Australia and United States, which will enable it to seize investment opportunities in power generation in these geographies.

### 1.3. Corporate governance model

Attached as an Appendix and forming an integral part of this Directors' Report are the Annual Report on Corporate Governance 2023 and the Annual Report of Director Remuneration 2023, as required by article 538 of the Capital Companies Act.

#### Corporate governance model

Naturgy is governed in accordance with the principles of efficacy, transparency and accountability in line with the main international recommendations and standards.

The corporate governance internal terms of reference comprise mainly:

- Articles of Association (adopted in 2018, updated in 2022).
- Regulations of the Board of Directors and its committees (updated in 2022).
- Regulations of the General Meeting of Shareholders (adopted in 2018, updated in 2022).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2021)

As of 31 December 2023 and 2022, the main shareholders of Naturgy are as follows:

	Interest in share capital %	
	2023	2022
- Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (1)	<b>26.7</b>	26.7
- Global Infrastructure Partners III (2)	<b>20.6</b>	20.6
- CVC Capital Partners SICAV-FIS, S.A. (3)	<b>20.7</b>	20.7
- IFM Global Infrastructure Fund (4)	<b>14.9</b>	14.0
- Sonatrach (5)	<b>4.1</b>	4.1

<sup>1.</sup> Held through Criteria Caixa S.A.U.

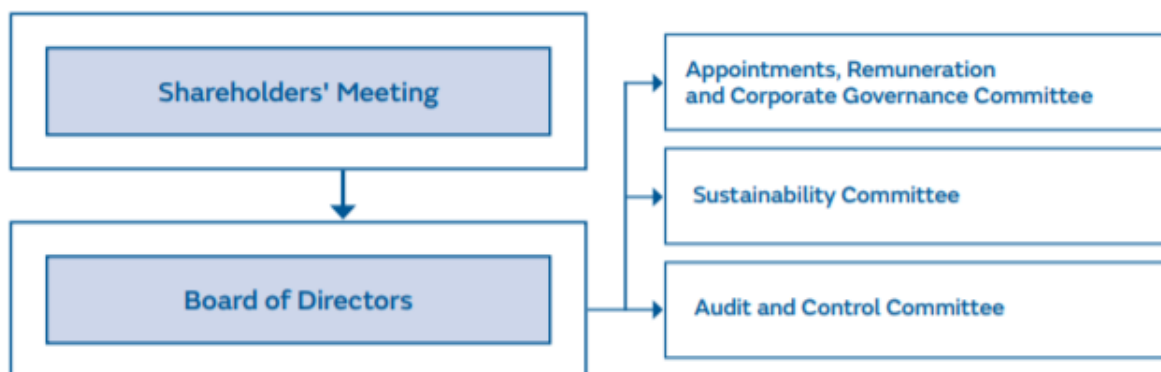
<sup>2.</sup> Global Infrastructure Partners III, which is managed by Global Infrastructure Management LLC, holds its stake indirectly via GIP III Canary 1, S.à.r.l.

<sup>3.</sup> Through Rioja Acquisitions S.à.r.l.

<sup>4.</sup> Through Global InfraCo O (2) S.à. r.l.

<sup>5.</sup> Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures

Naturgy's governance structure is as follows:



#### Shareholders' Meeting

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

## Board of Directors

The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the provisions of the Capital Companies Act. Accordingly, the Board of Directors of Naturgy has an Audit Committee, an Appointments, Remuneration and Corporate Governance Committee, and a Sustainable Committee, whose functions are substantially as set out in the Act or those that the Board of Directors has considered appropriate to attribute to them by delegation. Independent directors make up the majority of the Audit and Control Committee. All of the Board committees are chaired by independent directors.

Since the Chairman of the Board of Directors of Naturgy is also an executive director, the company has appointed a lead independent director to mitigate potential conflicts of interest. This position is held by Ms. Helena Herrero, who is an independent director, a member of the Audit and Control Committee and Chairman of the Sustainability Committee. Pursuant to Article 529 septies of the Capital Companies Act, the lead independent director is empowered to request the convening of meetings of the Board of Directors or the inclusion of additional items on the agenda, to coordinate and convene meetings of the non-executive directors and to direct, as appropriate, the periodic assessment of the Chairman of the Board of Directors.

Naturgy also has a Conflicts of Interest Policy, approved in May 2021, that is applicable to all Group employees, including the Executive Chairman. The policy establishes the guidelines to be followed by employees in the event of a conflict of interest, based on the principles of loyalty, abstention and transparency in pursuit of a resolution.

The Board of Directors and its committees engage in preventive risk management and consider aspects linked to corporate responsibility. The Board of Directors is highest body with responsibility for approving corporate governance and corporate responsibility policies. Each year, by authorising the respective reports, it reviews and approves the information on risks and opportunities in those areas.

The main issues considered by the Board of Directors and its committees in 2023, as well as all issues related to corporate governance, in the course of discharging their duties, are detailed in the Annual Report on Corporate Governance 2023, attached as an Appendix of this document.

The Board of Directors of Naturgy has 12 members, the Audit and Control Committee has 5 members, the Appointments, Remuneration and Corporate Governance Committee has 5 members, and the Sustainability Committee has 4 members.

The composition of the Board of Directors and its committees on 31 December 2023 is as follows:

Board of Directors		Audit and Control Committee	Appointments, Remuneration and Corporate Governance Committee	Sustainability Committee	Category of director	Seniority on Board
Executive Chairman	Mr. Francisco Reynés Massanet				Executive	6/02/2018
Lead director	Ms. Helena Herrero Starkie	Director		Chairman	Independent	04/05/2016
Director	Mr. Enrique Alcántara-García Irazoqui		Director		Proprietary	13/05/2021
Director	Ms. Lucy Chadwick			Director	Proprietary	16/03/2020
Director	Ms. Isabel Estapé Tous			Director	Proprietary	16/03/2020
Director	Mr. Ramón Adell Ramón	Director			Proprietary	11/02/2022
Director	Mr. Rajaram Rao		Director		Proprietary	21/09/2016
Director	Rioja S.à.r.l, Mr. Javier de Jaime Guijarro		Director		Proprietary	01/08/2019
Director	Mr. Pedro Sáinz de Baranda Riva	Director	Chairman		Independent	27/06/2018
Director	Mr. Claudi Santiago Ponsa	Chairman	Director		Independent	27/06/2018
Director	Mr. José Antonio Torre de Silva López de Letona (1)	Director			Proprietary	28/03/2023
Director	Jaime Siles Fernández-Palacios			Director	Proprietary	11/02/2022
Secretary (not a director)	Mr. Manuel García Cobaleda	Secretary (not a director)	Secretary (not a director)	Secretary (not a director)	N/A	29/10/2010

(1) At 28 March 2023, he was formally appointed as a director in place of Theatre Directorship Services Beta, S.à.r.l.

## Management structure

There is only one executive director, as described in the previous section, to whom the Board has delegated all its functions except those that the law or the Regulation of the Board of Directors do not permit to be delegated.

Accordingly, the Chairman of the Board of Directors has responsibility for all of the Group's businesses. The group has a structure of executives and managers with the necessary powers to conduct the company's own operations and undertake basic activities relating to its management. The personnel with executive responsibility and reporting directly to the Executive Chairman, Mr. Francisco Reynés Massanet, are considered members of the Management Committee.

As of 31 December 2023, the Management Committee is comprised of the Executive Chairman and the following:

Procurement and Wholesale Markets Department, headed by Mr. Jon Ganuza Fernandez de Arroyabe.  
 Energy and Network Management Department, headed by Mr. Pedro Larrea Paguaga.  
 Renewables and New Businesses Department, headed by Mr. Jorge Barredo López.  
 Supply Department, headed by Mr. Carlos Francisco Vecino Montalvo.  
 Information Systems Department, headed by Mr. Rafael Blesa Martínez.  
 Financial Markets Department, headed by Mr. Steven Fernández Fernández.  
 Company Secretariat and Secretariat of the Board of Directors, headed by Mr. Manuel García Cobaleda.  
 Sustainability, Reputation and Institutional Relations Department, headed by Mr. Jordi García Tabernero.  
 People and Organization Department, headed by Mr. Enrique Tapia Lopez.

Since 31 October, when Mr. Jon Ganuza assumed Procurement and Wholesale Markets Department, the functions of the Planning, Control and Administration Department have been carried out by the heads of the units integrated in said Department, directly reporting to the Management Committee.

There are also committees for dealing with specific issues, such as the Energy Balance, Risks and Supply Committee, which is responsible for monitoring the performance of energy commodities (gas, electricity, CO<sub>2</sub>, etc.) and indices, and for making management-level purchase, sale and hedging decisions; the Regulation Committee, which is tasked with monitoring regulatory initiatives, at both domestic and international level, and making the pertinent decisions; and the Ethics and Compliance Committee, which is responsible for supervising the operation of, and compliance with, the Crime Prevention Model and other compliance models adopted by the Naturgy Group. Those committees are made up of members of the management committee and some of the executives who report directly to them.

## 1.4. Regulatory environment

Appendix IV. Regulatory Environment of the consolidated annual accounts contains a description of the regulations governing the industry and the electricity and gas system in the markets in which Naturgy operates.

# 2. Business performance and results

## 2.1. Main aggregates

### Main financial aggregates

	2023	2022	Change (%)
Net sales	22,617	33,965	(33.4)%
Ebitda	5,475	4,954	10.5 %
Operating Profit	3,470	3,083	12.6 %
Consolidated profit attributable to the parent company	1,986	1,649	20.4 %
Capital expenditure (CAPEX)	2,136	1,907	12.0 %
Net financial debt	12,090	12,070	0.2 %
Free cash flow after non-controlling interests	2,536	1,914	32.5 %

### Key financials & metrics

	2023	2022
Leverage (%)	50.3%	54.7%
EBITDA/Net financial debt cost	11.3x	9.9x
Net financial debt/EBITDA	2.2x	2.4x

## Main stock market ratios and shareholder remuneration

	<b>2023</b>	2022
Total no. of shares ('000)	969,614	969,614
Average no. of shares outstanding ('000) <sup>1</sup>	960,810	960,908
Share price at 31/12 (Euros)	27.00	24.31
Market capitalisation at 31/12 (Euros million)	26,180	23,571
Earnings per share (Euros) attributable to the parent company	2.07	1.72
Dividend paid	1,454	1,164

<sup>1</sup> Calculated using the average number of outstanding shares in the year (average number of ordinary shares minus average number of treasury shares).

## Key operating figures

<b>Distribution</b>	<b>2023</b>	2022
Gas distribution (GWh)	378,390	386,464
Electricity distribution (GWh)	32,496	34,033
Gas supply points ('000)	11,060	11,050
Electricity supply points ('000)	4,868	4,827
Gas distribution network (km)	136,970	136,272
Length of electricity transmission and distribution network (km)	156,232	155,060

<b>Gas</b>	<b>2023</b>	2022
Supply (GWh)	141,638	217,183
International LNG (GWh)	106,937	125,053
<b>Total gas supply (GWh)</b>	<b>248,575</b>	<b>342,236</b>

<b>Electricity</b>		
Supply (GWh)	19,471	21,786
Electricity sales (GWh)	1,124	1,734
<b>Total Electric supply (GWh)</b>	<b>20,595</b>	<b>23,520</b>
Installed capacity thermal generation (MW)	10,675	10,675
Installed capacity renewable (MW)	6,467	5,513
<b>Total installed capacity (MW)</b>	<b>17,142</b>	<b>16,188</b>
Net production thermal generation (GWh)	31,184	37,485
Net production renewable (GWh)	12,704	9,544
<b>Total net production (GWh)</b>	<b>43,888</b>	<b>47,029</b>



## Environmental and social performance

<b>Environment</b>	<b>2023</b>	<b>2022</b>
Power generation emission factor (t CO <sub>2</sub> /GWh)	247	279
Greenhouse gas (GHG) emissions (M tCO <sub>2</sub> eq) <sup>1</sup>	12.9	15.1
Emissions-free installed capacity (%)	41.0	37.5
Emissions-free net production (%)	38.6	29.4
<b>Interest in people</b>	<b>2023</b>	<b>2022</b>
No. of employees at year-end <sup>2</sup>	7,010	7,112
Training hours per employee <sup>3</sup>	41.5	35.9
Women representation (%) <sup>2</sup>	33.9	32.7
<b>Health and safety</b>	<b>2023</b>	<b>2022</b>
No. of accidents leading to days lost	9	8
Frequency	0.13	0.12
<b>Commitment to society and integrity</b>	<b>2023</b>	<b>2022</b>
Economic value distributed (Euros million) <sup>4</sup>	20,193	32,089
No. of complaints received by the Ethics Committee	80	43

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

<sup>2</sup> Does not include the number of employees at discontinued operations (21 persons in 2023 and 21 persons in 2022).

<sup>3</sup> Considering the employees managed, according Non-Financial Information Statement..

<sup>4</sup> As defined in Appendix I: Alternative Performance Metrics.

## 2.2. Executive summary

Following the unprecedented rise of gas and electricity prices in 2022, the year 2023 experienced a decline of energy prices towards historical average levels as the market rebalanced. In this context, gas and power prices remained highly correlated and the decline of gas prices in Europe translated into a similar decline in wholesale electricity prices. Spain electricity prices were among the most competitive in Europe in 2023.

2023 was marked by plenty regulatory developments as well, aimed primarily at a better balance between affordability, stability, and sustainability, ensuring a more resilient energy system for European citizens and businesses, in response to the energy crisis experienced in 2022.

Against this backdrop, Naturgy endeavored to balance incremental growth in renewables while ensuring security of supply as well as competitive and affordable energy prices.

Naturgy reported €5,475 million in EBITDA in 2023, 10.5% more than in 2022, maintaining a balanced EBITDA mix between regulated and liberalized activities, which represented approximately 47% and 53% of total EBITDA respectively.

The strong results and cash flow generation supported the important step up in investments, while delivering on dividend commitments and maintaining stable net financial debt levels.

During 2023, investments reached €2,944 (+53% vs FY22) including capital expenditure (Capex) of €2,136m and renewables acquisitions. Investments were mainly devoted to Renewable Generation projects and Networks Distribution.

In Renewable Generation, installed capacity increased 1GW during 2023 reaching a total capacity of 6.5GW. Consistent with Naturgy's strategic focus, the company continued to grow in Spain, Australia and USA. In Spain, capacity increased by 575MW, through the commissioning of new plants and the integration of ASR wind (422MW). In Australia, wind capacity increased 109MW together with 10MW of battery storage. In USA, the 7V Solar Ranch plant in Texas began trial operations. With 300MW, this is the largest solar plant Naturgy has ever built and an important milestone for the company.

Renewable Generation growth is expected to accelerate in the coming years with up to 1.2GW and 2.3GW additional capacity coming into operation in 2024 and 2025 respectively.

Furthermore, Naturgy continues to progress on Renewable Gases in Spain, with more than 70 biomethane and hydrogen projects under different stages of development. Spain is deemed as a country with highly attractive prospects in biomethane and a production potential of approximately 160 TWh per annum, which is equivalent to roughly 50% of the total gas demand in 2023. Importantly, 160 TWh per annum is 8x larger than the PNIEC target for 2030, and 3x larger than the proportional target for Spain based on the RePower EU 2030 target.

In terms of infrastructure readiness, Gas Distribution Networks are already capable of distributing biomethane with no modifications. Additionally, Spanish networks are considered modern polyethylene networks which can operate with 20-30% hydrogen blending with minor modifications.

Prudent financial management and capital discipline continued to be a priority in 2023 in the face of persisting market volatility and regulatory uncertainty.

At 2023 year-end, Naturgy's net financial debt stood at €12,090 million, in line with 2022 levels. The ratio of net financial debt to EBITDA fell from 2.4x at 2022 year-end to 2.2x at 2023 year-end. Naturgy maintains a comfortable liquidity position with €9,237 million in cash and cash equivalents and undrawn credit lines at the end of 2023. On 30 May 2023, S&P revised Naturgy's outlook to stable (from negative) and affirmed its BBB credit rating, while on 25 October 2023 Fitch affirmed its BBB long-term issuer credit rating with stable outlook.

In terms of shareholder remuneration, a total dividend against 2023 results of €1.40/share will be proposed to the Annual Shareholder's Meeting, in accordance with the committed dividend policy. Having completed the payment of two interim dividends corresponding to €0.50/share each in August and November of 2023 respectively, the final dividend of €0.40/share shall be payable in April 2024, subject to Annual Shareholder's Meeting approval.

Since 2020, Naturgy had a track record of growing EBITDA, Investment and dividends while reducing Net financial debt. Moreover, Naturgy has exceeded guidance in terms of EBITDA and net financial debt, while delivering on its dividend commitments and investment program objectives for 2023.

The company is also progressing on key ESG metrics and is on track to meet its 2025 ESG targets. Regarding environmental metrics, Naturgy continued to reduce its emissions with an 8.5% reduction vs. 2022. With regards to social aspects, Naturgy continues to enhance diversity within the group, having reached a 34% women representation in management positions. Finally, Naturgy remains committed to best governance practices, as demonstrated by the increase to 20% of the management variable pay linked to ESG metrics, including a fair balance of health and safety, diversity, emissions free installed capacity and employee satisfaction metrics.

## Energy demand and commodity prices

Energy demand trended differently in the group's various markets in 2023, declining mainly in Spain and Brazil.

Electricity and gas demand in Spain decreased by an average of 7.2% and 3.2%, respectively, compared to 2022, due to macroeconomic uncertainty and mild temperatures throughout the winter. Similarly, average demand in Gas Distribution Networks Chile and Brazil declined year-on-year by 3.4% and 14.4%, respectively. Conversely, demand for gas and electricity grew in the other Latin American economies where the group operates: by 1.0% in Gas Mexico, 5.6% and 0.4% in Gas and Electricity Argentina, respectively, and 7.3% in Electricity Distribution Networks Panama.

Gas prices in Europe were affected mainly by lower demand and mild temperatures, which resulted in high storage levels, as well as by moderate gas demand in Asia. In this context, average gas prices at the main hubs corrected sharply with respect to the 2022 average: TTF by -63% and JKM by -53%. Wholesale electricity prices decreased by 48% with respect to the 2022 average. Average Brent prices were 18% lower than in 2022.

## Regulatory developments

During 2023, the Group was affected by intense regulatory activity and the publication of measures adopted by the Spanish government to mitigate the impact of high energy prices on consumers. See Appendix IV for more information. Regulatory framework of the consolidated annual accounts.

## Gemini project

On 10 February 2022, Naturgy reported the decision by its Board of Directors concerning the launch of the Géminis project, consisting of a very significant reorganisation of the corporate group of which Naturgy Energy Group, S.A. is the parent company. Specifically, this project envisaged the partial spin-off of Naturgy Energy Group, S.A. giving rise to two large groups with clearly differentiated business profiles.

Updating the status of the Géminis project to the date of authorisation for issue of these consolidated annual accounts, the Board of Directors does not consider, at 31 December 2023, that the conditions for the materialisation of the Géminis project are very probable, as is required by accounting regulations for the net assets subject to the spin-off to be classified as held for sale and for any distribution to be made to shareholders.

## COVID-19 update

In May 2023, the World Health Organisation announced that Covid-19 no longer constitutes a Public Health Emergency of International Concern, thereby initiating the transition to long-term management of the disease integrated into the control of acute respiratory infections.

Globally, and particularly in Spain, throughout 2023 the decreasing trend in Covid-related deaths and hospitalisations, the high immunity levels among the population, the low virulence of the successive variants of the disease and the improvement in the management of clinical cases have continued to be observed, resulting in a change in focus of the Covid-19 surveillance and control strategy.

However, Covid-19 has not ceased to be a threat to world health and the global economy, and the Group continues to monitor this risk in order to minimise the adverse effects on business that could be caused by any new outbreaks of the disease.

## 2.3. Key comparability factors

### Reporting structure

Some changes have been made to the composition of Naturgy's operating segments in order to ensure greater clarity on the progress of operations in view of developments in the economic context in which the Group operates. These changes have been accompanied by the modification of Naturgy's senior management reporting model. Senior management is responsible for regularly reviewing the results of the segments within the company's operational decision-making process in order to decide on the resources to be allocated to each of them and assess their performance.

The changes made to the composition of the operating segments are as follows:

- Separation of Argentina's gas and electricity segments.
- Integration of the International LNG, Markets and Procurement and Pipelines segments into the new Energy Management segment.
- Separation of the Renewables segments in Spain and the United States.
- Integration of a holding unit with transversal activities in Distribution Networks and Energy Markets.

These changes have also been applied to the comparative information as at 31 December 2022, which has been restated to reflect the changes made to the segment structure during the year.

As discussed in section 1.2 Business Model, of this report, Naturgy is undergoing a process of continuous transformation and has organized its businesses into two large strategic areas (Distribution Networks and Energy Markets) that lend visibility to business performance.

### Perimeter changes

There were no material transactions in 2023 affecting the comparability of the information for 2023 with that of 2022. The changes in consolidation scope in 2023 and 2022 are detailed in section 2.4.1.d. of the Notes to the Consolidated Annual Accounts for 2023, and Appendix II to the Consolidated Annual Accounts sets out the main changes in the consolidation scope in both periods.

### Foreign exchange impact

Exchange rate fluctuations in 2023, and their effects, are detailed below:

Currency	Average exchange rate	Change (%)	EBITDA	Income attributable to equity holders of the parent
USD/€	1.08	2.6 %	6	19
MXN/€	19.19	(9.5)%	31	8
BRL/€	5.40	(0.8)%	1	1
ARS/€ (1)	894.54	371.6 %	(119)	(18)
CLP/€	908.64	(1.0)%	(2)	(3)
Other	—	—	(3)	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>(86)</b>	<b>7</b>

<sup>(1)</sup> Exchange rate as of 31 December 2023 as a consequence of considering Argentina as an hyperinflationary economy

Exchange rate fluctuations in 2023 had a negative impact on EBITDA in the amount of €86 million and a positive impact on consolidated profit in the amount of €7 million. Specifically, the Argentine peso continued to depreciate against the euro, while the Mexican peso, the Brazilian real and the Chilean peso appreciated with respect to 2022. The US dollar depreciated slightly against the euro.

## 2.4. Consolidated results

	2023	2022	Change (%)
Net sales	22,617	33,965	(33.4)
<b>Ebitda</b>	<b>5,475</b>	<b>4,954</b>	<b>10.5</b>
Depreciation, amortisation and impairment expenses	(1,742)	(1,532)	13.7
Impairment of credit losses	(208)	(228)	(8.8)
Other results	(55)	(111)	(50.5)
<b>Operating Profit</b>	<b>3,470</b>	<b>3,083</b>	<b>12.6</b>
Net financial income/ (expenses)	(518)	(665)	(22.1)
Profit of entities recorded by equity method	90	128	(29.7)
Corporate income tax	(768)	(697)	10.2
Profit for the year from discontinued operations, net of taxes	—	(23)	(100.0)
Non-controlling interest	(288)	(177)	62.7
<b>Consolidated profit attributable to the parent company</b>	<b>1,986</b>	<b>1,649</b>	<b>20.4</b>

### Net sales

Net sales in 2023 amounted to €22,617 million, 33.4% less than 2022, mainly as a result of the fact that energy prices were exceptionally high in 2022 following the start of the Russia-Ukraine conflict.

### Ebitda

Consolidated Ebitda reached € 5,475 million in 2023, up 10.5% compared to 2022, supported by good results in both international regulated activities and liberalized activities.

The comparative breakdown of EBITDA by business is as follows:

	2023	2022	Change (%)
Distribution Networks	2,638	2,460	7.2
Energy Markets	2,949	2,555	15.4
Rest	(112)	(61)	83.6
<b>EBITDA</b>	<b>5,475</b>	<b>4,954</b>	<b>10.5</b>

### Operating Profit

Depreciation, amortization and impairment expenses amounted to € -1,742 million, 13.7% more than in 2022, including €288 million of asset impairment, mainly in the GPG Latin America Thermal Generation segment (€168 million). The remainder related to other impairments in Renewable Generation in the United States, Chile and Spain and in Gas Distribution Networks Mexico, based on specific variables and circumstances in each case. For further details, see Note 4. Non-financial asset impairment losses in the Notes to the consolidated annual accounts.

Impairment of credit losses reached €-208 million, 8.8% less than in 2022.

## Net financial income

	<b>2023</b>	2022	<b>Change (%)</b>
Cost of net financial debt	(485)	(501)	(3.2)
Other financial expenses/income	(33)	(164)	(79.9)
<b>Net financial income/ (expenses)</b>	<b>(518)</b>	<b>(665)</b>	<b>(22.1)</b>

Financial result amounted to € 518 million, 22.1% less than in 2022. The decrease is due mainly to the financial expenses recognized in 2022 linked to the provisions for Transportadora de Gas del Norte, S.A. (TGN) in Chile as a result of litigation by group company, Metrogas, S.A., in Chile, and, to a lesser extent, to the reduction in average net financial debt in the year, which was partially offset by a higher average cost of gross borrowings (3.9% in 2023 compared to 3.0% in 2022, excluding leasing debt costs in both cases), as a result of higher interest rates, particularly in Latin America. At 31 December 2023, 75% of gross financial debt was at fixed rates and 65% was denominated in euro.

## Profit of entities recorded by equity method

Equity-accounted affiliates amounted to € 90 million, down from €128 in 2022, corresponding to Ecoeléctrica (€59 million), the Chilean companies (€17 million), Medina/Medgaz (€16 million), Qalhat (€8 million), Renewable Generation and Cogeneration (€ -14 million) and other subsidiaries (€4 million).

The 29.7% decrease with respect to 2022 is mainly the result of a lower contribution from holdings in Renewable Generation and cogeneration activities and Qalhat.

## Corporate income tax

The effective tax rate in 2023 was 25.2%, compared with 27.4% in 2022.

## Profit for the year from discontinued operations, net of taxes

Discontinued operations did not generate any income in 2023. This heading amounted to €-23 million in 2022 as a result of the re-estimation of indemnities agreed with the buyer of the Electricity Distribution Networks Chile business, whose sale was completed in July 2021.

## Consolidated profit attributable to the parent company

Consolidated profit attributable to equity holders of the parent company amounted to €1,986 million in 2023, 20.4% more than in 2022, supported by good performance by both regulated and liberalized business outside Spain, as well as by the Renewable Generation and Supply business in Spain, and the positive trend in financial income as a result of the sharp reduction in leverage in the year.

## Income attributed to non-controlling interests

Income attributed to non-controlling interests amounted to € 288 million in 2023, a 62.7% increase year-on year, as detailed below:

	2023	2022	Change (%)
Gas Distribution Networks Spain	(73)	(50)	46.0
Gas Distribution Networks Chile	(79)	35	(325.7)
Other affiliates 1	(102)	(113)	(9.7)
Other equity instruments	(34)	(49)	(30.6)
<b>Total</b>	<b>(288)</b>	<b>(177)</b>	<b>62.7</b>

(1) Includes GPG Latin America and GPG Australia (both renewable), GPG Latin America (thermal), Gas Distribution Networks in Brazil, Mexico and Argentina, and Electricity Distribution Networks in Panama.

The increase with respect to 2022 is mainly due to the higher figure in 2023 in the Gas Distribution Networks Chile business due to the recognition of a provision in 2022 following the court decision ordering Metrogas (a subsidiary of Naturgy) to pay Transportadora de Gas del Norte, S.A., whose net impact attributable to non-controlling interests was € 103 million as of December 2022.

The “Other equity instruments” caption includes the accrued interest on subordinated perpetual debentures (hybrids), which was lower than in 2022 as a result of the €500m hybrid redemption without replacement completed in November 2022.

## 2.5. Results by business unit

### 2.5.1. Distribution Networks

Below is the detail of the reported Ebitda for the period ended December 31, 2023 and 2022:

	2023	2022	Change (%)
<b>Distribution Networks</b>	<b>2,638</b>	<b>2,460</b>	<b>7.2</b>
Spain Gas	822	837	(1.8)
Mexico Gas	291	256	13.7
Brazil Gas	356	307	16.0
Argentina Gas	20	59	(66.1)
Chile Gas	323	160	101.9
Spain Electricity	650	683	(4.8)
Panama Electricity	175	143	22.4
Argentina Electricity	26	30	(13.3)
Holding and eliminations	(25)	(15)	66.7

EBITDA increased by 7.2% to €2,638 million during 2023, driven by strong performance in Latin America due to both the tariff update and improved operating performance. The sharp variation in Chile Gas is attributable to the provision recognised in 2022 in relation to the decision by the court of first instance in favour of Transportadora de Gas del Norte, S.A. (TGN). The strong increases in Panama Electricity (22.4%), Mexico Gas (13.7%) and Brazil Gas (16.0%) are due to significant tariff updates. The overall good performance in Latin America was partially offset by a negative foreign exchange impact of €106 million, mainly as a result of the depreciation of the Argentine peso (€119 million).

Spain Gas reported €822 million in EBITDA, a 1.8% decrease year-on-year, due both to lower gas demand in the residential segment and lower regulatory remuneration.

Spain Electricity achieved €650 million in EBITDA, a 4.8% decrease year-on-year, due to lower incentive payments for energy losses and higher operating and maintenance expenses.

## Spain Gas

### Results

	2023	2022	Change (%)
Net sales	1,112	1,135	(2.0)
Procurement	(148)	(133)	11.3
<b>Gross margin</b>	<b>964</b>	<b>1,002</b>	<b>(3.8)</b>
Other operating income	34	34	—
Personnel expenses	(52)	(52)	—
Taxes	(17)	(19)	(10.5)
Other operating expenses	(107)	(128)	(16.4)
<b>EBITDA</b>	<b>822</b>	<b>837</b>	<b>(1.8)</b>
Depreciation, provisions and other results	(267)	(391)	(31.7)
<b>EBIT</b>	<b>555</b>	<b>446</b>	<b>24.4</b>

EBITDA amounted to €822 million in 2023, 1.8% less than in 2022, driven by lower demand in the residential segment as a result of mild winter temperatures, as well as lower remuneration for gas distribution under the current regulatory framework.

### Main aggregates

The main aggregates in the Gas Distribution Networks activity in Spain are as follows:

	2023	2022	Change (%)
<b>TPA - Sales (GWh)</b>	<b>158,893</b>	<b>164,086</b>	<b>(3.2)</b>
LPG Sales (tn)	59,167	72,051	(17.9)
Distribution network (km)	56,992	56,885	0.2
Increase in connection points, thousand	(18)	(12)	50.0
Connection points (thousand)(at 31/12)	5,352	5,370	(0.3)

Both Gas and LPG sales decreased by 3.2% and 17.9% respectively on an annual basis, while connection points remained stable (-0.3%) compared to same period of previous year.



## Mexico Gas

### Results

	2023	2022	Change (%)
Net sales	718	1,035	(30.6)
Procurement	(378)	(735)	(48.6)
<b>Gross margin</b>	<b>340</b>	<b>300</b>	<b>13.3</b>
Other operating income	24	12	100.0
Personnel expenses	(21)	(17)	23.5
Taxes	(1)	—	—
Other operating expenses	(51)	(39)	30.8
<b>EBITDA</b>	<b>291</b>	<b>256</b>	<b>13.7</b>
Depreciation, provisions and other results	(80)	(63)	27.0
<b>EBIT</b>	<b>211</b>	<b>193</b>	<b>9.3</b>

EBITDA increased by 13.7% to € 291 million, due to growth in reserved ATR capacity, partially offset by lower supply margins, and €26 million in exchange gains.

### Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change %
<b>Gas activity sales (GWh)</b>	<b>47,483</b>	<b>47,000</b>	<b>1.0</b>
Gas sales	23,927	22,900	4.5
TPA	23,556	24,100	(2.3)
Distribution network (km)	23,192	23,029	0.7
Increase in connection points (thousand)	(1)	(2)	(50.0)
Connection points (thousand)(at 31/12)	1,570	1,571	(0.1)

Gas sales activity increased by 1.0% while connection points remained stable (-0.1%).

## Brazil Gas

### Results

	2023	2022	Change (%)
Net sales	1,753	1,932	(9.3)
Procurement	(1,312)	(1,535)	(14.5)
<b>Gross margin</b>	<b>441</b>	<b>397</b>	<b>11.1</b>
Other operating income	47	36	30.6
Personnel expenses	(22)	(21)	4.8
Taxes	(6)	(5)	20.0
Other operating expenses	(104)	(100)	4.0
<b>EBITDA</b>	<b>356</b>	<b>307</b>	<b>16.0</b>
Depreciation, provisions and other results	(75)	(78)	(3.8)
<b>EBIT</b>	<b>281</b>	<b>229</b>	<b>22.7</b>

EBITDA amounted to €356 million in 2023, up 16.0% year-on-year. The tariff update was partially offset by lower demand, particularly in the power generation segment, due to the abundance of hydroelectric resource during the year. The exchange rate impact was slightly positive in the period, amounting to €1 million.

## Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change %
<b>Gas activity sales (GWh)</b>	<b>38,526</b>	<b>45,033</b>	<b>(14.4)</b>
Gas sales	29,083	32,759	(11.2)
TPA	9,443	12,274	(23.1)
Distribution network (km)	8,358	8,275	1.0
Increase in connection points (thousand)	10	13	(23.1)
Connection points (thousand)(at 31/12)	1,186	1,175	0.9

Gas sales activity decreased by 14.4% year-on-year as a result of lower demand for power generation caused by abundant water reserves and, to a lesser extent, of lower demand for automotive use.

The number of connection points remained relatively stable, having increased slightly (0.9%) in the year.

## Argentina Gas

### Results

	2023	2022	Change (%)
Net sales	267	444	(39.9)
Procurement	(160)	(256)	(37.5)
<b>Gross margin</b>	<b>107</b>	<b>188</b>	<b>(43.1)</b>
Other operating income	8	19	(57.9)
Personnel expenses	(29)	(40)	(27.5)
Taxes	(24)	(35)	(31.4)
Other operating expenses	(42)	(73)	(42.5)
<b>EBITDA</b>	<b>20</b>	<b>59</b>	<b>(66.1)</b>
Depreciation, provisions and other results	(7)	(7)	—
<b>EBIT</b>	<b>13</b>	<b>52</b>	<b>(75.0)</b>

In 2023, EBITDA amounted to €20 million, 66.1% less than in 2022, mainly as a result of the negative impact of the exchange rate (€59 million) in the period. Higher sales, especially in power generation and TPA, and tariff updates (only from May onwards) were not enough to offset the ongoing currency depreciation.

## Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change %
<b>Gas activity sales (GWh)</b>	<b>96,709</b>	<b>91,599</b>	<b>5.6</b>
Gas sales	46,445	48,669	(4.6)
TPA	50,264	42,930	17.1
Distribution network (km)	40,119	39,835	0.7
Increase in connection points (thousand)	4	2	100.0
Connection points (thousand)(at 31/12)	2,260	2,255	0.2

Gas activity sales increased by 5.6% while connection points remained stable (0.2%) year-on-year.

## Chile Gas

Includes the Gas Distribution Networks and Supply activities.

## Results

	2023	2022	Change (%)
Net sales	877	895	(2.0)
Procurement	(483)	(664)	(27.3)
<b>Gross margin</b>	<b>394</b>	<b>231</b>	<b>70.6</b>
Other operating income	10	1	900.0
Personnel expenses	(29)	(27)	7.4
Taxes	(4)	(4)	—
Other operating expenses	(48)	(41)	17.1
<b>EBITDA</b>	<b>323</b>	<b>160</b>	<b>101.9</b>
Depreciation, provisions and other results	(65)	(188)	(65.4)
<b>EBIT</b>	<b>258</b>	<b>(28)</b>	<b>(1021.4)</b>

EBITDA in 2023 amounted to €323 million, a sizeable 101.9% increase year-on-year, mainly as a result of the €108 million provision booked in 2022 following the court decision in favour of Transportadora de Gas del Norte, S.A. (TGN).

The Gas Distribution Networks business also performed well, benefiting from the tariff update, while the supply business made a lower contribution because of a reduction in margins, although sales volumes increased. The exchange rate effect had a negative impact of €9 million on EBITDA in 2023.

The increase in profit in 2023 is attributable not only to the provision in 2022 for the court decision in favour of TGN, referred to above, but also to "Other income" in the amount of -€128 million.

## Main aggregates

	2023	2022	Change %
<b>Gas activity sales (GWh)</b>	<b>36,779</b>	<b>38,746</b>	<b>(5.1)</b>
Gas distribution sales (GWh)	10,261	10,625	(3.4)
Gas sales (GWh)	1,544	1,446	6.8
TPA (GWh)	24,974	26,675	(6.4)
Distribution network (km)	8,309	8,248	0.7
Increase in connection points (thousand)	13	13	—
Connection points (thousand)(at 30/12)	692	679	1.9

Total Chile Gas activity sales decreased by 5.1%, mainly as a result of lower sales in distribution and TPA (3.4% and 6.4%, respectively), while supply sales increased by 6.8% year-on-year.

The number of connections points increased by 1.9%.

## Spain Electricity

### Results

	2023	2022	Change (%)
Net sales	804	839	(4.2)
Procurement	—	(3)	(100.0)
<b>Gross margin</b>	<b>804</b>	<b>836</b>	<b>(3.8)</b>
Other operating income	20	21	(4.8)
Personnel expenses	(48)	(44)	9.1
Taxes	(24)	(26)	(7.7)
Other operating expenses	(102)	(104)	(1.9)
<b>EBITDA</b>	<b>650</b>	<b>683</b>	<b>(4.8)</b>
Depreciation, provisions and other results	(254)	(263)	(3.4)
<b>EBIT</b>	<b>396</b>	<b>420</b>	<b>(5.7)</b>

EBITDA amounted to €650 million in 2023, a decrease of 4.8% year-on-year, mainly as a result of lower tariffs, as in 2022 an adjustment over the period 2017-2019 tariffs was recognized. In addition, in 2023 there are higher operating and maintenance expenses due to higher activity with respect to 2022, following record investments.

## Main aggregates

The main aggregates in the Electricity Distribution Networks activity in Spain are as follows:

	2023	2022	Change %
<b>Sales - TPA (GWh)</b>	<b>24,747</b>	<b>26,676</b>	<b>(7.2)</b>
Distribution network (km)	115,664	115,296	0.3
Connection points (thousand)	3,836	3,820	0.4
ICEIT (minutes)	30.7	35.6	(13.8)

Connection points increased by 0.4% during the period, while electricity sales declined by 7.2%.

## Panama Electricity

### Results

	2023	2022	Change (%)
Net sales	887	891	(0.4)
Procurement	(655)	(694)	(5.6)
<b>Gross margin</b>	<b>232</b>	<b>197</b>	<b>17.8</b>
Other operating income	6	5	20.0
Personnel expenses	(9)	(9)	—
Taxes	(7)	(5)	40.0
Other operating expenses	(47)	(45)	4.4
<b>EBITDA</b>	<b>175</b>	<b>143</b>	<b>22.4</b>
Depreciation, provisions and other results	(69)	(66)	4.5
<b>EBIT</b>	<b>106</b>	<b>77</b>	<b>37.7</b>

EBITDA amounted to €175 million in 2023, up 22.4% year-on-year as a result of the tariff update (from July 2023) and higher sales (7.3%), partially offset by the negative exchange rate effect in the year (€5 million).

### Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change %
<b>Electricity business sales (GWh)</b>	<b>5,674</b>	<b>5,290</b>	<b>7.3</b>
Electricity sales	4,678	4,358	7.3
TPA	996	932	6.9
Distribution network (km)	30,317	29,678	2.2
Connection points (thousand)	771	752	2.5

The number of connection points increased by 2.5% with respect to 2022.

## Argentina Electricity

### Results

	2023	2022	Change (%)
Net sales	98	128	(23.4)
Procurement	(44)	(63)	(30.2)
<b>Gross margin</b>	<b>54</b>	<b>65</b>	<b>(16.9)</b>
Other operating income	7	14	(50.0)
Personnel expenses	(11)	(13)	(15.4)
Taxes	(4)	(5)	(20.0)
Other operating expenses	(20)	(31)	(35.5)
<b>EBITDA</b>	<b>26</b>	<b>30</b>	<b>(13.3)</b>
Depreciation, provisions and other results	(2)	(2)	—
<b>EBIT</b>	<b>24</b>	<b>28</b>	<b>(14.3)</b>

EBITDA amounted to €26 million in 2023, 13.3% less than in 2022, mainly as a result of the significant negative exchange rate impact (€60 million), while the tariff update was not sufficient to offset the significant currency depreciation in the year.

## Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change %
Electricity business sales (GWh)	2,075	2,067	0.4
Distribution network (km)	10,251	10,086	1.6
Connection points (thousand)(at 31/12)	261	255	2.4

Electricity sales remained stable (0.4%) and supply points increased by 2.4% with respect to 2022.

## 2.5.2. Energy Markets

Below is the detail of the reported Ebitda for the period ended December 31, 2023 and 2022:

	2023	2022	Change
<b>Energy Markets</b>	<b>2,949</b>	<b>2,555</b>	<b>15.4</b>
<b>Energy Management</b>	<b>1,104</b>	<b>992</b>	<b>11.3</b>
<b>Thermal Generation</b>	<b>670</b>	<b>687</b>	<b>(2.5)</b>
Spain	400	422	(5.2)
GPG Latin America	270	265	1.9
<b>Renewable Generation</b>	<b>529</b>	<b>374</b>	<b>41.4</b>
Spain	437	311	40.5
United States	(10)	(26)	(61.5)
GPG Latin America	107	74	44.6
GPG Australia	(5)	15	(133.3)
<b>Renewable Gases</b>	<b>(5)</b>	<b>(3)</b>	<b>66.7</b>
<b>Supply</b>	<b>704</b>	<b>542</b>	<b>29.9</b>
<b>Holding and eliminations</b>	<b>(53)</b>	<b>(37)</b>	<b>43.2</b>

The Energy Markets business segments reported aggregate EBITDA of €2,949 million, an increase of 15.4% with respect to 2022. In general, liberalized businesses outside Spain continued to benefit from the energy situation during the year. Most of the growth in EBITDA came from the Energy Management, Renewable Generation and Supply segments.

The Energy Management segment (International LNG, Markets and Procurement and Gas Pipelines at 31 December 2022) was affected by the decline in gas prices, with persistent volatility, as a result of lower demand caused by mild temperatures in Europe, resulting in high levels of storage, as well as moderate demand for gas in Asia.

In this context, Energy Management reported - €767 million in net sales in 2022 due to ineffectiveness in gas sales hedging derivatives caused by the decoupling with respect to the indexes hedged in the sales transactions, most of these derivative financial instruments having matured during 2023 and the ineffectiveness linked to gas sales hedging derivatives pending maturity at December 31, 2023 amounts to - €36 million. As a result, Energy Management reported €1,104 million in EBITDA in 2023.

Thermal Generation in Spain had another good year, with €400 million in EBITDA, highlighting the key role of combined cycle power plants in guaranteeing the continuity of electricity supply in the system. GPG Latin America Thermal Generation saw an increase in production and margins, offset by the negative exchange rate impact (€9 million).

Renewable Generation achieved EBITDA of €529 million in 2023, an increase of 41.4% over the previous year. This positive trend is explained mainly by the increase in production in Mexico and Spain (attributable to higher installed capacity in the latter case).

Naturgy has decided to give greater visibility to the "Renewable Gases" business segment, which includes renewable gas projects, specifically biomethane and green hydrogen, whose contribution is non-material as yet; as of 31 December 2022, this area was reported within the "Renewables and New Businesses" segment.

The Supply business in Spain reported €704 million in EBITDA in 2023, 29.9% more than in 2022, as it benefited from higher margins, offset by lower sales.

### 2.5.2.1. Energy Management

#### Results

	2023	2022	Change (%)
Net sales	8,786	18,653	(52.9)
Procurement	(7,539)	(17,641)	(57.3)
<b>Gross margin</b>	<b>1,247</b>	<b>1,012</b>	<b>23.2</b>
Other operating income	58	65	(10.8)
Personnel expenses	(31)	(36)	(13.9)
Taxes	(125)	(3)	4066.7
Other operating expenses	(45)	(46)	(2.2)
<b>EBITDA</b>	<b>1,104</b>	<b>992</b>	<b>11.3</b>
Depreciation, provisions and other results	(164)	(99)	65.7
<b>EBIT</b>	<b>940</b>	<b>893</b>	<b>5.3</b>

Energy Management encompasses the former Markets and Procurement, International LNG and Pipelines segments.

In 2023, EBITDA amounted to €1,104 million, mainly due to various factors as the maturity of instruments affected by the ineffectiveness of gas sales hedging derivatives, the performance of the hedged indices and the decoupling of electricity sales transactions from those indices, additionally lower sales and gas prices due to scenario were compensated by the termination in 2022 of sales and hedging contracts with negative margins in Europe and Iberia. There was a positive exchange rate effect amounting to €28 million in 2023.

#### Main aggregates

The main aggregates of the activity are as follows

	2023	2022	Change (%)
<b>Gas supply (GWh)</b>	<b>181,076</b>	<b>268,014</b>	<b>(32.4)</b>
CCGT	26,931	40,872	(34.1)
Third parties	47,208	102,089	(53.8)
LNG Gas sales (GWh)	106,937	125,053	(14.5)
<b>Electricity sales (GWh)</b>	<b>1,124</b>	<b>1,734</b>	<b>(35.2)</b>
<b>Shipping fleet capacity (m3)</b>	<b>1,159,998</b>	<b>1,591,435</b>	<b>(27.1)</b>

Total Gas sales amounted to 181,076 GWh in 2023, a decrease of 32.4% year-on-year, while electricity sales decreased by 35.2% year-on-year.

## 2.5.2.2. Thermal Generation

### Spain

#### Results

	2023	2022	Change
Net sales	2,410	5,709	(57.8)
Procurement	(1,756)	(4,993)	(64.8)
<b>Gross margin</b>	<b>654</b>	<b>716</b>	<b>(8.7)</b>
Other operating income	26	6	333.3
Personnel expenses	(60)	(56)	7.1
Taxes	(129)	(86)	50.0
Other operating expenses	(91)	(158)	(42.4)
<b>EBITDA</b>	<b>400</b>	<b>422</b>	<b>(5.2)</b>
	(159)	(122)	30.3
<b>EBIT</b>	<b>241</b>	<b>300</b>	<b>(19.7)</b>

EBITDA amounted to €400 million in 2023, which was another good year for Thermal Generation Spain, and in particular, for combined cycle power plants, that has captured slightly higher margins in the period, despite it has experienced a decrease of 5.2% compared to 2022, mainly due to lower production.

Lower gas prices, combined with Naturgy's competitive advantages in terms of operational excellence and location, led to higher margins than in 2022, when production was higher to cover the shortfall from renewables and hydroelectricity but nevertheless resulted in lower margins amid high gas and CO2 prices.

Pool average price, in the daily electricity market, decreased by 48.0% with respect to 2022, averaging €87.1/MWh in the year, as a result of lower gas prices.

#### Main aggregates

The main aggregates of the activity are as follows

	2023	2022	Change (%)
<b>Installed capacity (MW)</b>	<b>8,031</b>	<b>8,031</b>	—
Nuclear	604	604	—
CCGTs	7,427	7,427	—
<b>Electric energy produced (GWh)</b>	<b>16,604</b>	<b>24,255</b>	<b>(31.5)</b>
Nuclear	4,512	4,454	1.3
CCGTs	12,092	19,801	(38.9)

Total production decreased by 31.5%, mainly due to CCGTs (-38.9%), while nuclear production experienced a slight increase (1.3%) during the year.



## **GPG Latin America**

### **Results**

	<b>2023</b>	2022	<b>Change (%)</b>
Net sales	777	1,080	(28.1)
Procurement	(441)	(760)	(42.0)
<b>Gross margin</b>	<b>336</b>	<b>320</b>	<b>5.0</b>
Other operating income	—	2	(100.0)
Personnel expenses	(25)	(19)	31.6
Taxes	(1)	(1)	—
Other operating expenses	(40)	(37)	8.1
<b>EBITDA</b>	<b>270</b>	<b>265</b>	<b>1.9</b>
Depreciation, provisions and other results	(252)	(84)	200.0
<b>EBIT</b>	<b>18</b>	<b>181</b>	<b>(90.1)</b>

EBITDA amounted to €270 million in 2023, 1.9% more than in 2022, mainly due to increased production and higher margins in Dominican Republic as well as higher margins in the surplus market from the combined cycle plants in Mexico, partly offset by electricity produced under the existing PPAs. These results were offset by a negative exchange rate effect (€9 million).

As of 31 December 2023, has been recognized a €168 million impairment, consistent with the current energetic scenario.

### **Main aggregates**

The main aggregates of the activity are as follows

	<b>2023</b>	2022	<b>Change (%)</b>
<b>Installed capacity (MW)</b>	<b>2,644</b>	<b>2,644</b>	<b>—</b>
Mexico (CCGT)	2,446	2,446	—
Dominican Republic (Fuel)	198	198	—
<b>Electric energy produced (GWh)</b>	<b>14,580</b>	<b>13,230</b>	<b>0.1</b>
Mexico (CCGT)	13,858	12,636	9.7
Dominican Republic (Fuel)	722	594	21.5

Total production increased by 10.2%, due to Mexican combined cycle plants, which increased by 9.7% and other thermal (Dominican Republic) which increased by 21.5%.

### 2.5.2.3. Renewable Generation

Below is the detail of the reported Ebitda for the period ended December 31, 2023 and 2022:

	2023	2022	Change (%)
<b>Renewable Generation</b>	<b>529</b>	<b>374</b>	<b>41.4</b>
Spain	437	311	40.5
United States	(10)	(26)	(61.5)
GPG Latin America	107	74	44.6
GPG Australia	(5)	15	(133.3)

### Renewables Spain

#### Results

	2023	2022	Change (%)
Net sales	707	597	18.4
Procurement	(72)	(102)	(29.4)
<b>Gross margin</b>	<b>635</b>	<b>495</b>	<b>28.3</b>
Other operating income	10	15	(33.3)
Personnel expenses	(45)	(42)	7.1
Taxes	(46)	(53)	(13.2)
Other operating expenses	(117)	(104)	12.5
<b>EBITDA</b>	<b>437</b>	<b>311</b>	<b>40.5</b>
Depreciation, provisions and other results	(202)	(141)	43.3
<b>EBIT</b>	<b>235</b>	<b>170</b>	<b>38.2</b>

EBITDA amounted to €437 million in 2023, 40.5% higher than in 2022, mainly as a result of higher hydroelectric production and the entry into operation of new wind and photovoltaic plants (notably the integration of wind assets from ASR Wind), offset by the reduction in regulated revenues (new parameters for the semi-period 2023-25) and in the average prices of bilateral contracts.

### Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change (%)
<b>Installed capacity (MW)</b>	<b>4,967</b>	<b>4,392</b>	<b>13.1</b>
Hydroelectric <sup>(1)</sup>	2,062	2,062	—
Wind	2,426	1,885	28.7
Solar	428	394	8.6
Cogeneration and others	51	51	—

(1) Gross hydraulic generation capacity

	2023	2022	Change (%)
<b>Electric energy produced (GWh)</b>	<b>9,710</b>	<b>6,652</b>	<b>46.0</b>
Hydroelectric	4,113	1,978	107.9
Wind	4,650	4,058	14.6
Solar	652	425	53.4
Cogeneration and others	295	191	54.5
<b>Market share of renewables</b>	<b>6.2 %</b>	<b>4.8 %</b>	<b>1,4 pp</b>

Installed capacity of electric generation, excluding installed MW no in service, was 4,967 MW at 2023 year-end, up 575 MW year-on-year (34 MW solar and 541 MW wind).

Total output increased by 46.0% year-on-year, driven by hydroelectricity (a very significant 107.9%), wind (14.6%), solar (53.4%) and other technologies (54.5%), with the result that the market share reached 6.2%.

## Renewables United States

### Results

	2023	2022	Change (%)
Net sales	(6)	—	—
Procurement	—	—	—
<b>Gross margin</b>	<b>(6)</b>	<b>—</b>	<b>—</b>
Other operating income	11	—	—
Personnel expenses	(4)	(1)	300.0
Taxes	(1)	—	—
Other operating expenses	(10)	(25)	(60.0)
<b>EBITDA</b>	<b>(10)</b>	<b>(26)</b>	<b>(61.5)</b>
Depreciation, provisions and other results	(67)	(3)	2133.3
<b>EBIT</b>	<b>(77)</b>	<b>(29)</b>	<b>165.5</b>

EBITDA in 2023 amounted to €-10 million, compared with €-26 million in 2022, which was affected by a provision for a guarantee.

As of 31 December 2023, an impairment of €65 million was recognized for acquired projects with a low probability of completion and for wind farms under development, basically affected by the increase in the cost of construction.

### Main aggregates

At 31 December 2023, Naturgy had commenced operating the first solar plant in the United States, with an installed capacity of 300 MW, ahead of the expected start of operations (COD) in 2024.

## GPG Latin America

### Results

	2023	2022	Change (%)
Net sales	155	134	15.7
Procurement	(8)	(19)	(57.9)
<b>Gross margin</b>	<b>147</b>	<b>115</b>	<b>27.8</b>
Other operating income	15	14	7.1
Personnel expenses	(14)	(14)	—
Taxes	(3)	(5)	(40.0)
Other operating expenses	(38)	(36)	5.6
<b>EBITDA</b>	<b>107</b>	<b>74</b>	<b>44.6</b>
Depreciation, provisions and other results	(55)	(65)	(15.4)
<b>EBIT</b>	<b>52</b>	<b>9</b>	<b>477.8</b>

EBITDA amounted to €107 million in 2023, 44.6% higher than in 2022, driven by the increase in output, especially in Mexico, and by the improvement in the unit margin and by collection of retained payments in Cabo Leones (Chile). The exchange rate impact contributed €2 million.

### Main aggregates

The main aggregates of the activity are as follows

	2023	2022	Change (%)
<b>Installed capacity (MW)</b>	<b>814</b>	<b>844</b>	<b>(3.6)</b>
Mexico (Wind)	234	234	—
Brazil (Solar)	153	153	—
Chile (Solar)	149	128	16.4
Chile (Wind)	206	206	—
Costa Rica (Hydroelectric)	50	101	(50.5)
Panama (Hydroelectric)	22	22	—
<b>Electric energy produced (GWh)</b>	<b>1,973</b>	<b>2,082</b>	<b>(5.2)</b>
Mexico (Wind)	709	630	12.5
Brazil (Solar)	295	278	6.1
Chile (Solar)	277	268	3.4
Chile (Wind)	297	293	1.4
Costa Rica (Hydroelectric)	304	499	(39.1)
Panama (Hydroelectric)	91	114	(20.2)

GPG Latin America's installed capacity at year-end 2023 stood at 814 MW, 30 MW net less than in 2022 due to the reversion of the La Joya hydro plant to Instituto Costarricense de Energía.

Total output decreased by 5.2% year-on-year, mainly due to the decline in hydroelectric output, mitigated by higher wind and solar output.

## GPG Australia

### Results

	2023	2022	Change (%)
Net sales	15	33	(54.5)
Procurement	—	—	—
<b>Gross margin</b>	<b>15</b>	<b>33</b>	<b>(54.5)</b>
Other operating income	—	—	—
Personnel expenses	(4)	(3)	33.3
Taxes	(1)	(1)	—
Other operating expenses	(15)	(14)	7.1
<b>EBITDA</b>	<b>(5)</b>	<b>15</b>	<b>(133.3)</b>
Depreciation, provisions and other results	(21)	(12)	75.0
<b>EBIT</b>	<b>(26)</b>	<b>3</b>	<b>(966.7)</b>

EBITDA amounted to €-5 million in 2023, compared with €15 million in 2022. The reduction is mainly attributable to the ineffectiveness of electricity sales hedging derivatives in long term contracts with an impact of net sales of € -28 million (€ -5 million in 2022), partially offset by a 25.9% increase in wind power output.

### Main aggregates

The main aggregates of the activity are as follows:

	2023	2022	Change (%)
<b>Installed capacity (MW)</b>	<b>386</b>	<b>277</b>	<b>39.4</b>
Wind	386	277	39.4
<b>Battery storage (MW)</b>	<b>10</b>	<b>—</b>	<b>—</b>
<b>Electric energy produced (GWh)</b>	<b>1,020</b>	<b>810</b>	<b>25.9</b>
Wind	1,020	810	25.9

At 31 December 2023, installed capacity stood at 386 MW following the entry into operation of the BerryBank II wind farm (109 MW) during the first half of the year, as well as the installation of battery storage for more efficient management of electricity output, optimizing margins.

## 2.5.2.4. Renewable Gases

### Results

A Renewable gases business segment has been created, including the management of renewable gas projects, specifically biomethane and green hydrogen, whose contribution as this point remains nonmaterial.

	2023	2022	Change (%)
Net sales	—	—	—
Procurement	—	—	—
<b>Gross margin</b>	<b>—</b>	<b>—</b>	<b>—</b>
Other operating income	—	—	—
Personnel expenses	(3)	(2)	50.0
Taxes	—	—	—
Other operating expenses	(2)	(1)	100.0
<b>EBITDA</b>	<b>(5)</b>	<b>(3)</b>	<b>66.7</b>
Depreciation, provisions and other results	—	—	—
<b>EBIT</b>	<b>(5)</b>	<b>(3)</b>	<b>66.7</b>

EBITDA amounted to €-5 million in 2023, down 66.7% on the previous year. The reduction is explained by the lower availability of biomethane for upgrading and by higher expenditure on professional services associated with project development.

This segment's contribution to consolidated EBITDA, which includes managing biomethane and green hydrogen projects, is non-material as yet.

### Main aggregates

<b>Biomethane</b>	2023	2022	Change (%)
Operation capacity (MW)	2	2	—
Production (MWh)	204	4,974	(95.9)

Naturgy currently operates two biomethane plants with a total capacity of 2 MW that produced 204 MWh in 2023, and it is advancing several biomethane projects in Spain. In addition, two hydrogen projects, at Meirama (30 MW) and La Robla (280 MW), are under way, and Naturgy is evaluating a portfolio of additional options.

Naturgy is well positioned to take advantage of the renewable gas opportunity and is willing to deploy capital and resources in this field subject to meeting minimum profitability targets.

## 2.5.4. Supply

### Results

	2023	2022	Change (%)
Net sales	8,728	11,144	(21.7)
Procurement	(7,579)	(10,269)	(26.2)
<b>Gross margin</b>	<b>1,149</b>	<b>875</b>	<b>31.3</b>
Other operating income	77	10	670.0
Personnel expenses	(69)	(69)	—
Taxes	(115)	(89)	29.2
Other operating expenses	(338)	(185)	82.7
<b>EBITDA</b>	<b>704</b>	<b>542</b>	<b>29.9</b>
Depreciation, provisions and other results	(202)	(241)	(16.2)
<b>EBIT</b>	<b>502</b>	<b>301</b>	<b>66.8</b>

In 2023, EBITDA amounted to €704 million, up from €542 million in 2022, having benefited mainly from higher margins, especially in electricity, as well as a better competitive position, due to improved management of the sales portfolio and the optimization of procurement costs.

### Main aggregates

The main aggregates of the activity are as follows

	2023	2022	Change (%)
<b>Gas sales (GWh) <sup>(1)</sup></b>	<b>67,499</b>	<b>74,222</b>	<b>(9.1)</b>
Residential Spain	17,243	15,927	8.3
Industrial clients	48,552	55,183	(12.0)
SM&E	1,704	3,112	(45.2)
<b>By segment</b>	<b>67,499</b>	<b>74,222</b>	<b>(9.1)</b>
Liberalised	59,347	68,979	(14.0)
Regulated	8,152	5,243	55.5
<b>Electricity sales (GWh)</b>	<b>19,471</b>	<b>21,786</b>	<b>(10.6)</b>
Residential Spain	9,218	9,137	0.9
Industrial clients	8,328	8,805	(5.4)
SM&E	1,925	3,844	(49.9)
<b>By segment</b>	<b>19,471</b>	<b>21,786</b>	<b>(10.6)</b>
Liberalised	16,416	18,276	(10.2)
Regulated	3,055	3,510	(13.0)
<b>Retail contracts (thousand)</b>	<b>10,818</b>	<b>10,897</b>	<b>(0.7)</b>
Gas	3,539	3,658	(3.3)
Electricity	4,379	4,255	2.9
Services	2,900	2,984	(2.8)
<b>Contracts per customer (Spain)</b>	<b>1.50</b>	<b>1.54</b>	<b>-0.04 pp</b>
<b>Gas contract market share (Spain)</b>	<b>44.3</b>	<b>45.8</b>	<b>-1.5 pp</b>

<sup>(1)</sup> including gas sales of energy efficiency contracts

Gas supply margins worsened due to the migration of customers from liberalized to regulated tariffs (55.5%), mainly in the residential segment. As a result, gas sales decreased by 9.1% compared to 2022, with declines in the SME (-45.2%) and industrial (-12.0%) segments, while sales in the residential segment increased by 8.3% year-on-year.

The total number of gas contracts decreased by 3.3% year-on-year, reducing the market share of gas contracts by -1.5 pp.

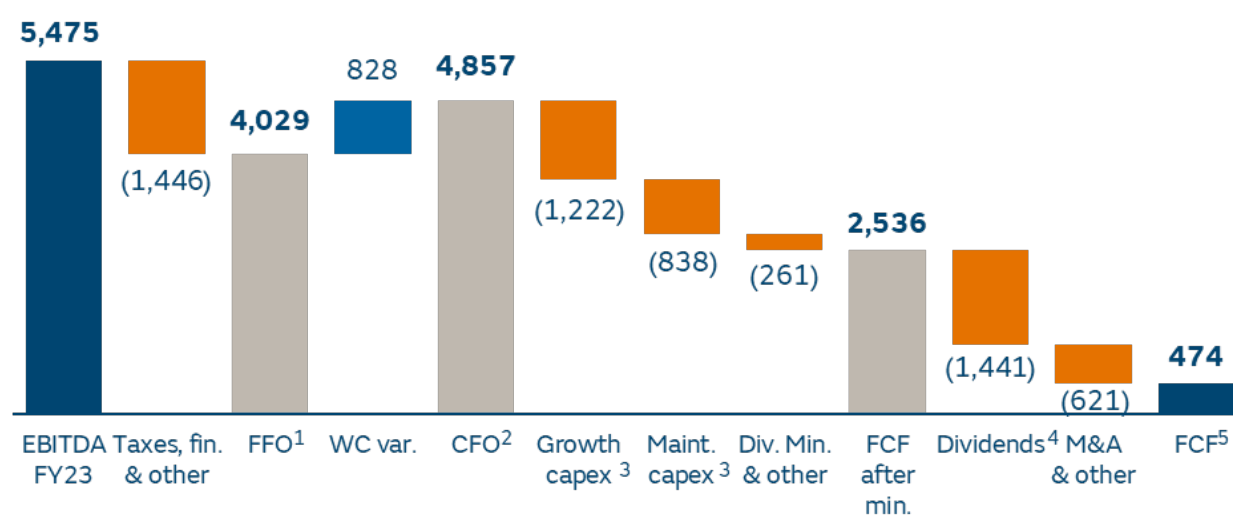
Electricity supply margins recovered from 2022, supported by growth in fixed-price contracts as well as lower costs compared to 2022, when figures were impacted by the cost of energy sales not covered by in-house infra-marginal power generation.

Total electricity sales decreased by 10.6%, mainly in the SME (-49.9%) and industrial (-5.4%) segments, while retail sales remained stable (0.9%).

The total number of electricity contracts increased by 2.9% year-on-year.

## 2.6. Cash flow

The evolution of cash flow for the year 2023 is detailed below:



Notes:

- 1 FFO: Funds from operations
- 2 CFO: Cash flow from operations
- 3 Capex Net of cessions and contributions
- 4 Dividends paid net of those received by Group companies
- 5 FCF: Free cash flow

Prudent financial management and capital discipline continue to be the key factors for weathering market volatility and regulatory uncertainty.

Strong operating cash flow in the year, supported by good performance by the liberalized business outside Spain, enabled the company to undertake net investments (net capex) of €2,060 million and make acquisitions for €611 million while meeting our shareholder remuneration commitments (€1,441 million were paid in dividends, i.e. the final dividend for 2022 and two interim dividends against 2023 profits), without affecting Naturgy's net interest-bearing debt, which remained stable (€12,090 million at the end of 2023, compared to €12,070 million at the end of 2022).

Changes in working capital also contributed to the good net debt performance by reducing funding needs by approximately € 828 million in 2023.

### Capital expenditure (Capex)

The breakdown of CAPEX by type was as follows:



	2023	2022	Change (%)
Capital expenditure (Capex)	2,136	1,907	12.0
Other proceeds from investing activities	(76)	(74)	2.7
<b>Net capital expenditure (Net Capex)</b>	<b>2,060</b>	<b>1,833</b>	<b>12.4</b>

The breakdown of capex by activities is as follows:

	2023	2022	Change (%)
<b>Distribution Networks</b>	<b>908</b>	<b>776</b>	<b>17.0</b>
Spain Gas	117	116	0.9
Mexico Gas	70	68	2.9
Brazil Gas	68	57	19.3
Argentina Gas	15	26	(42.3)
Chile Gas	53	40	32.5
Spain Electricity	449	321	39.9
Panama Electricity	124	131	(5.3)
Argentina Electricity	12	17	(29.4)
<b>Energy Markets</b>	<b>1,211</b>	<b>1,113</b>	<b>8.8</b>
Energy Management	4	5	(20.0)
Thermal Generation	149	164	(9.1)
Spain	104	87	19.5
GPG Latin America	45	77	(41.6)
Renewable Generation	921	811	13.6
Spain	319	389	(18.0)
United States	297	170	74.7
GPG Latin America	19	27	(29.6)
GPG Australia	286	225	27.1
Supply	135	132	2.3
Holding and eliminations	2	1	100.0
<b>Rest</b>	<b>17</b>	<b>18</b>	<b>(5.6)</b>
<b>Capital expenditure (Capex)*</b>	<b>2,136</b>	<b>1,907</b>	<b>12.0</b>

(\*) The changes in the financial reporting structure, discussed in Note 3 to the consolidated annual accounts, made it necessary to restate the comparative information, although the impact is not material.

A breakdown of maintenance and growth capex in property, plant and equipment and intangible assets provides useful insight into the group's investment profile.

Maintenance capex amounted to €844 million in 2023, compared to €736 million in 2022, as a result of higher maintenance in Distribution Networks (27.9%) than in 2022.

Over 60% of total capex in 2023 as for growth, amounting to €1,292 million (€1,171 million in 2022). The main items of growth capex in 2023 are as follows:

- A total of € 316 million invested in the development of Distribution Networks in Spain and Latin America, of which € 171 million in Spain, including gas and electricity, € 47 million in Electricity Panama, € 28 million in Gas Chile, € 35million in Gas Mexico, € 16 million in Argentina (gas and electricity) and € 19 million in Gas Brazil.
- A total of € 864 million invested in the construction of different renewable projects, of which €264 million in Spain, € 286 million in GPG Australia, € 297 million in United States and € 17 million in GPG Latin America.
- € 111 million in the Supply activity.

Naturgy remains committed to developing Renewable Generation and reached more than 6.5 GW of installed capacity at 2023 year-end. During the year, 1.0 GW of additional capacity came on stream, of which 575 MW in Spain, 300 MW in the United States, 109 MW in GPG Australia and 21 MW in GPG Latin America (Chile).

In Spain, Naturgy reached an agreement with Ardian to acquire 100% of ASR Wind, comprising a portfolio of 12 renewable energy projects with 422 MWp of operational regulated wind assets (considered in the preceding paragraph) and 435 MWp of solar photovoltaic hybridization projects. The transaction was completed in the third quarter of 2023.

Naturgy is committed to building more than 20 wind farms and photovoltaic plants in Spain in the coming years and it is expected to come on line in the period 2024-2025 to about 1.6 GW of additional renewable capacity.

In the United States, Naturgy completed the construction of our first photovoltaic plant, which became operational in 2023. It has commenced construction of the Grimes project (263 MW) in Texas, which will be its second photovoltaic facility in the USA.

In Australia, Naturgy began operating its third wind farm (BerryBank II), which increased the company's total installed capacity to 386 MW, not including 10 MW of battery storage capacity.

Also in Australia, late in the year Naturgy commenced construction of two additional photovoltaic projects (Glenellen 260 MW in New South Wales and Bundaberg 100 MW in Queensland) and expects to reach approximately 1 GW of operational renewable capacity in 2024 with the entry into operation of the Ryan Corner (218 MW) and Hawkesdale (97 MW) wind farms in Victoria, the Crookwell III (58 MW) wind farm in New South Wales and the Cunderdin (128 MW) battery-hybrid PV plant (55 MW/220 MWh) in Western Australia.

Naturgy is also leading Renewable Gases development in Spain, as a key pillar of decarbonization, and is currently working on several green hydrogen and biomethane, as well as storage and sustainable mobility projects in other businesses and has capital and resources available to deploy in these areas.

## 2.7. Financial Position

As of 31 December 2023, net financial debt amounted to € 12,090 million, i.e. stable with respect to 2022 year-end (€12,070 million), despite the growth in capital expenditure and the dividends paid during the year, reflecting the group's strong cash generation capacity in the period.

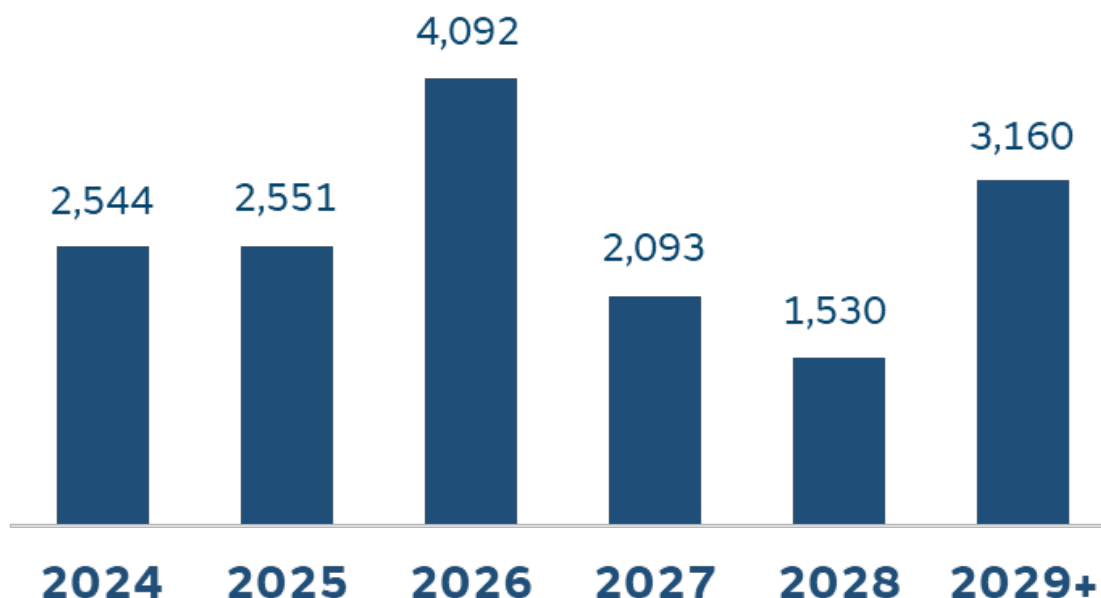
During 2023, the most relevant transactions and refinancing operations included:

- The Berrybank II wind project signed a 5-year loan with a mini-perm structure and credit lines in Australian dollars, equivalent to €91 million.
- A total of €2,156 million of loans and credit lines with financial institutions were refinanced in Spain, and €531 million in the international businesses.
- Naturgy Energy Group, S.A. obtained a 20-year €700 million from the EIB, and arranged new bilateral loans with financial institutions in the amount of €750 million in December 2023.
- Naturgy Finance B.V. rolled over its EMTN programme for €12 billion for the next year.

On 30 May 2023, S&P revised Naturgy's outlook to stable (from negative) and affirmed its BBB credit rating. On 25 October 2023, Fitch affirmed its long-term issuer credit rating of BBB with a stable outlook.

## Gross debt maturities

The breakdown of the gross financial debt by maturity at 31 December 2023 is as follows:



## Debt structure

The detail of the net financial debt, the average cost of the gross financial debt and the % of fixed gross debt by country and currency, is as follows:

		Consolidated		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
		2023	2022	CLP	USD	BRL	ARS	MXN	USD	EUR/ Others
Net financial debt	€m	12,090	12,070	222	(12)	63	(25)	562	829	10,451
Average cost of gross financial debt (1)	%	3.9	3.0	9.4	6.8	14.0	139.4	10.4	8.3	1.7
% fixed rated (gross debt)	%	75	80	58	19	1	1	51	15	86

<sup>(1)</sup> Does not include neither cost of finance lease liabilities nor other refinancing costs.

The average cost of gross financial debt for the period, excluding the cost of lease liabilities and other refinancing costs, was 3.9%, a slightly higher than in 2022 (3.0%).

The evolution of the principal ratios applied referent to the Net financial debt were as follows:

		2023	2022
EBITDA/Net financial debt cost	times	11.3	9.9
Net financial debt /EBITDA	times	2.2	2.4

The ratio of net financial debt to EBITDA declined from 2.4x at 2022 year-end to 2.2x at 2023 year-end. The group maintains a solid financial position and has substantially strengthened its balance sheet.

### 3. Liquidity and capital

#### Capital management

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

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

Naturgy's long-term credit rating is as follows:

	2023	2022
Standard & Poor's	BBB (*)	BBB (**)
Fitch	BBB (*)	BBB (**)

(\*) S&P: stable outlook; Fitch: stable outlook

(\*\*) S&P: negative outlook; Fitch: stable outlook

Net financial debt amounted to €12,090 million at 2023 year-end, with leverage at 50.3% (€12,070 million and 54.7%, respectively, at 2022 year-end).

#### Liquidity

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

At 31 December 2023, liquidity stood at € 9,237 million, including € 3,686 million in cash and equivalents and € 5,551 million in undrawn and fully committed credit lines. Moreover, the ECP programme is completely undrawn at 31 December 2023.

As of 31 December 2023, the detail of liquidity is as follows:

	Consolidated		Chile		Brazil	Argentina	Mexico	Panama	Holding & others
	2023	2022	CLP	USD	BRL	ARS	MXN	USD	EUR/ Others
Cash and equivalents	3,686	3,985	162	76	252	41	95	38	3,022
Undrawn committed credit lines	5,551	5,497	—	—	41	—	9	37	5,464
Total	9,237	9,482	162	76	293	41	104	75	8,486

The weighted average maturity of the undrawn credit lines as detailed below:

	2024	2025	2026	2027	2028	2029+
Undrawn committed credit lines	133	1,935	3,478	—	—	5

## 4. Main risks, opportunities and uncertainties

### 4.1. Risk management model

Naturgy's risk management model seeks to ensure that the company's performance is predictable within an acceptable bounded range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in all aspects that are of importance to its stakeholders.

Core goals of the risk measurement and management model include ensuring that material risk factors are correctly identified, assessed and managed. The final objective is to ensure that the level of risk exposure assumed by Naturgy in the course of its business is consistent with the company's defined overall risk profile and the attainment of annual and strategic objectives.

The Integrated Risk Management and Control System is structured as follows:

- Risk Governance & Management: risk governance and management mechanism for all risk classes and all businesses, with Management Committee involvement.
- Risk Assessment: methodology, procedure and process for identifying, assessing and measuring risks.
- Risk Appetite: definition of risk tolerance by setting limits for the main risk categories, by risk type and by business, as a function of the targets.
- Risk Reporting: regular systematic reporting and monitoring of risk at the various levels of management: Business Units, Corporate Units Audit and Control Committee and Board of Directors.

### Risk management bodies

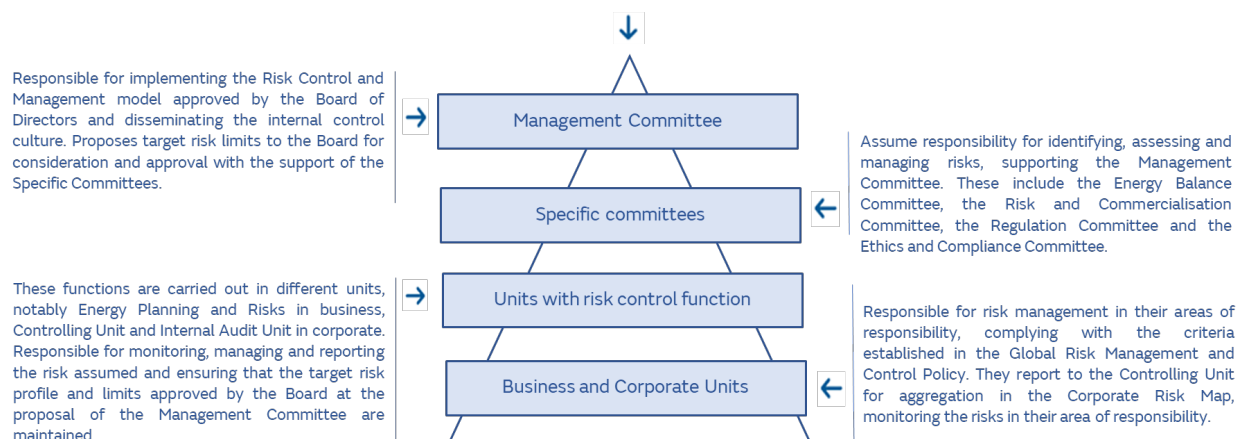
Naturgy has a framework integrating the vision of governance, risks and compliance so as to provide a 360-degree view of the group's processes, existing controls and the associated risks.

To this end, it has a number of bodies with clearly identified areas of responsibility, making it possible to delimit the predictability and ensure the sustainability of the company's operational and financial performance.

#### Board of Directors

It is responsible for approving the Risk Management and Control Policy, the integrated Risk Appetite and overseeing the company's Risk Management and Control System.

By delegation, the **Audit and Control Committee** is the body in charge of supervising the Risk Management and Control System and the effectiveness of internal control, monitoring compliance with the Risk Management and Control Policy.



In relation to the **specific committees** for the various businesses and subjects, the following are noteworthy:

- The **Energy Balance, Risk and Supply Committee** is responsible for monitoring the performance of energy commodities (gas, electricity, CO<sub>2</sub>, etc.) and indices, and for making management-level purchase, sale and hedging decisions;
- The **Regulation Committee** is tasked with monitoring regulatory initiatives, at both domestic and international level, and making the pertinent decisions; and
- The **Ethics and Compliance Committee** is responsible for supervising the operation of, and compliance with, the Crime Prevention Model and other compliance models adopted by the Naturgy Group.

Those committees are made up of members of the Management Committee and other senior management of the organisation.

**Units with risk control function**, a key task of the Risk Control function within each business or corporate area, is modelling the annual accounts to identify their main sensitivities, anticipate possible negative impacts, and adopt corrective or mitigating actions.

Of these units, which may have representation on specific committees, the following stand out:

- Energy Planning and Risks in business is responsible for monitoring, managing and reporting the risk assumed and ensuring the target risk profile and limits.
- Controlling Unit, within the risk function, is responsible for tracking risks reported by the rest of the company's units and preparing a comprehensive integrated vision in the form of the Corporate Risk Map.
- Internal Audit Unit, as a third line of defence, conducts appropriate audits to assess the level of compliance with the Risk Control and Management Policy.

The **Business and Corporate units** report to the Controlling unit on progress with the risks in their area of responsibility.

## Comprehensive management

Naturgy analyses its overall risk profile on the basis of the potential impact on its annual accounts. In this way, it determines the maximum accepted level of risk exposure in order to manage it appropriately.

The tools that enable the company to achieve continuous improvement in the process of identifying, characterising, determining and monitoring its risk profile are:

- **Global Risk Control and Management Policy:** the most recent version was approved by the Board of Directors of Naturgy in November 2020. Its purpose is to establish the general principles and standards of behaviour required to ensure proper identification, reporting, assessment and management of Naturgy's exposure to risk.
- **Follow-up of good practices** contained in the ISO 31000 guidelines for risk management.
- **Corporate Risk Map:** identifies and quantifies the risks which might affect Naturgy's performance, considering the characteristics of the risk position (impact variables, potential severity in quantitative and qualitative terms, likelihood of occurrence, and degree of management and control). It is updated and submitted regularly to the Audit and Control Committee by the corporate-level Controlling unit.
- **Other risk maps:** these are developed by Naturgy's Business and Corporate units at their discretion following a common methodology, and they serve as the basis for the Corporate Risk Map.

- Risk Measurement System: The metrics used to assess risk depend on the nature of the risk:
  - Stochastic/probabilistic: a probabilistic simulation of price deviations within a confidence interval.
  - Deterministic/scenarios: expected impact of an event based on its probability.
  - Non-financial stress tests: simulations used on assets, portfolios and positions to determine their reactions to adverse events that are not usually reflected in conventional value or risk analyses, with the objective of evaluating the company's performance in scenarios of exposure to non-financial risks, including risks derived from climate change and biodiversity risk.
  - Heatmaps: qualitative analysis of the risk on a factor basis.

## Risk categories

Naturgy defines five risk types in its Corporate Risk Map: Economic, Financial, Operational, Reputational/Sustainability, and Strategic.

### Types of economic and financial risk

Economic and financial risks are assessed by quantitative modelling.

#### Categories of economic risk

Risk factors with an impact on business results, caused by the volatility of exogenous factors, amendments to regulatory frameworks, or changes in demand with an impact on short-term results.

- **Commodity risk**, the uncertainty caused by variability in the prices of the energy and other commodities that the company uses.
- **Exchange rate risk**, the uncertainty associated with changes during the year in the exchange rates of the currencies in which Naturgy's businesses are denominated.
- **Regulatory risk**, the risk associated with reviews of the remuneration frameworks for the regulated businesses and/or updates to the specific remuneration parameters and/or amendments to the regulatory framework under which Naturgy businesses operate.
- **Volume risk**, risk associated with the variation of volumes produced, distributed and/or supplied due to variations in temperature, changes in customer behaviour as a result of climate change, and the macroeconomic or competitive environment with respect to the base scenario considered in the projections.
- **Margin/price risk**, understood as the price risk not contemplated under commodity risk created by changes in competitive pressure or unachieved margin assumptions.
- **Legal risk**, related to the eventual outcome of litigation, arbitration or legal claims against Naturgy in the year of analysis.

#### Financial risk categories

Risk factors with an impact on the company's cash flow and balance sheet caused by the volatility of financial variables, potential impact of counterparties, amendments to tax frameworks, and provisioning.

- **Credit risk**, unexpected loss due to uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of the end customers and counterparties with which Naturgy operates.
- **Interest rate risk**, variability of the company's financial expenses caused by changes in interest rates and in refinancing needs in the currencies in which Naturgy's debt is denominated.
- **Tax risk**, associated with the proper application of tax regulations, the complexity of their interpretation, and possible amendments, with a potential economic impact on the company's accounts.
- **Liquidity risk**, risk associated with a potential increase in the financing needs required to maintain the company's target rating.
- **Rating risk**, risk of a downgrade of the company's credit rating, considering that the company targets an anchor BBB rating.
- **Provisioning and warranty risk**, risk of maintaining an excessive volume of provisions on the balance sheet, resulting in the risk that they may materialize and their effect on cash outflows.

## Types of operational, reputational/sustainability and strategic risk

Operational, reputational/sustainability and strategic risk are generally assessed using heat maps.

### Operational risk categories

Risk factors derived from operating the company's human and material assets.

- **Operational risk**, associated with events of force majeure or accidents affecting persons, and with accidents, damage or non-availability of the company's operating assets, after coverage by Naturgy's insurance programme.
- **Security risk**, understood as the residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.
- **Business continuity and crisis management risk**, the risk of a service-level breach as a result of inadequacy or failure of processes, systems or performance by in-house or third-party staff.
- **Fraud risk**, derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.
- **Cybersecurity risk**, arising from malicious attacks or accidental events with an operational impact that affect data, computer networks or technology.
- **Data protection risk**, the risk associated with breach of data protection obligations that may result in an administrative sanction or civil judgement.
- **Environmental and biodiversity risk**, associated with the possibility that natural phenomena or human action may result in regulatory environmental limits being exceeded or in harm to third parties, ecosystems or biodiversity.
- **Health and safety risk**, understood as the risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.

### Reputational/Sustainability risk categories

Risk factors associated with behaviours that constitute a departure from good practices in the area of reputation, ESG commitment, compliance, people and climate change.

- **Reputational and ESG risk**, uncertainty in the evolution of stakeholders' perception of the company's reputation and its capacity to engage in business sustainably from an environmental, social and governance point of view.
- **Compliance risk**, risk of Naturgy suffering penalties, financial loss or loss of reputation as a result of non-compliance with legal obligations, as well as regulations, policies and other internal regulations applicable to its activities.
- **Customer satisfaction risk**, risk of not offering the customer a distinctive value proposition that places the company in a privileged position to define new relationship models and address the digital transformation.
- **Climate change risk**, arising from the energy transition (changes to regulations, markets or technologies) and the physical impacts of climate change (acute and chronic).

### Strategic risk categories

Risk factors associated with the company's business portfolio: Long-term commodity exposure, capital employed by geography (soft vs. hard currencies), business risk profile (exposure to regulated vs. merchant businesses).



## 4.2. Description of the main risks

### Commodity risk

#### Electricity and gas volatility

A large proportion of Naturgy's operating results is linked to gas purchased for supply to a diversified portfolio of customers.

Most gas procurement contracts are arranged on a long-term basis with purchase prices based on a combination of commodity prices, basically crude oil and its derivatives, and natural gas hub prices.

However, sale prices to end customers are generally arranged on a short/medium term basis and depend on the supply-demand balance in the gas market at any given time. This may result in decoupling with respect to gas procurement prices.

Consequently, Naturgy is exposed to variations in gas procurement prices with respect to the sale price to end customers. This exposure is managed and mitigated by natural hedging, as an attempt is made to balance the commodity exposures of both prices. Additionally, the main long-term procurement contracts allow us to manage this exposure through volume flexibility and price review mechanisms.

When it is not possible to achieve a natural hedge, the position is managed, within reasonable risk parameters, through derivatives, generally designated as hedging instruments, to reduce exposure to price decoupling risk. However, ineffectiveness in these hedges could be caused by changes in the expected dates of the purchase and sale transactions, a reduction in the volumes hedged and a decoupling from the indices hedged in the purchase and sale transactions.

In the vertically integrated electricity businesses, the company's aggregate exposure is determined by the strategic generation/supply positioning and by the final sale pricing policies in electricity supply.

The company is exposed to fluctuations in the price of CO<sub>2</sub> emission allowances, particularly the purchase of allowances for generation by its combined cycle plants.

### Exchange rate risks

Naturgy has interests in several countries and is exposed to the exchange rate in each of their currencies, as well as to the US dollar.

Exchange rate risk is largely mitigated by financing investments in local currency. Naturgy tries to match costs and revenues in the same currency, as well as amounts and maturities of assets and liabilities arising from transactions denominated in non-Euro currencies.

Additionally, the exchange rate risk is managed by arranging financial derivatives within the limits approved for hedging instruments, the level of exposure and the risk appetite approved each year.

### Margin/price risk

Liberalisation processes in Spain and other major markets have had a significant impact in terms of competitive pressure on final market prices, and on the definition of market shares.

In the electricity industry, the liberalisation of the European market has increased competition due to the entrance of new players, with an impact on the Spanish market, and might have an effect on the performance of the electricity supply and generation businesses.

Naturgy monitors and quantifies the sales margins of all its businesses, identifies material deviations from its spread assumptions and mitigates the risk by adapting sale and purchase formulas to all terms.

## Gas and electricity volume risk

Some purchases of natural gas and liquefied natural gas (LNG) are made under long-term contracts that include clauses under which Naturgy is obliged to buy certain volumes of gas each year (take-or-pay clauses). In the event of a reduction in gas demand, Naturgy might be obliged by contract to pay the minimum amount to which it is bound under such clauses.

Moreover, in an alternative scenario where there is a shortage of gas or excess demand, the additional cost of short-term procurements might have a material adverse effect on the group's operating costs.

All volume risks are measured, monitored and quantified each year, and the company assesses the adequacy of hedges for those linked to climate (temperature, precipitation, etc.), which are managed in accordance with the approved policies and risk appetite.

In the area of electricity generation, Naturgy's earnings are exposed to volume variability, driven by electricity demand and the generation mix in the market, which is being particularly affected by the growing share of renewable energy production.

Naturgy manages its contracts and assets in an integrated manner, optimizing the energy balance.

## Regulatory risk

Regulated and non-regulated activities coexist in the gas and electricity distribution businesses. The legislation applicable to the natural gas and electricity industries is typically subject to regular review by the competent authorities, which might have an impact on the remuneration for regulated activities, affecting Naturgy's business operations and financial position.

As a result of both the COVID-19 crisis and Russia's invasion of Ukraine, most of the authorities in the countries where Naturgy operates have established temporary regulatory measures that may affect regulated businesses.

Naturgy manages regulatory risk on the basis of regular communication with the regulators. In addition, in its regulated activities, Naturgy adjusts its costs and investments to the allowed rates of return for each business.

## Operational risk

Naturgy's activities are exposed to various operational risks, such as breakdowns in the distribution network, accidents at electricity generation facilities, accidents in methane tankers, explosions, pollutant emissions, toxic spills, fires, adverse weather conditions, and breaches of contract.

Additionally, claims might be brought against Naturgy for personal injury and/or other damage arising in the ordinary course of its operations. Such claims could result in the payment of indemnities under the legislation applicable in the countries in which Naturgy operates.

Naturgy has an extensive insurance program to cover its operational exposure.

## Cybersecurity risk

Naturgy is exposed to threats in connection with the availability, confidentiality, integrity and privacy of the information and technology that support business processes as well as the risk of non-compliance with regulations related to cybersecurity.

Such threats include unauthorised access and the use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.

Naturgy has Cybersecurity policies that establish vigilance, contingency and security plans, and has arranged insurance to cover this exposure.

## Environmental and Biodiversity risk

This refers to the possibility that, as a result of the company's activities and due to the occurrence of an event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, those derived from emissions of polluting gases other than greenhouse gases (GHG), noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, landscape impact, impact on cultural heritage, etc.

It also includes potential threats related to dependence on nature and impacts on nature. It includes, but is not limited to, physical impacts and impacts derived from changes in regulation related to the destruction and/or alteration of terrestrial, aquatic and/or marine ecosystems, damage to protected or high-value areas and/or species, promotion of the development of invasive species, impacts on areas of high water stress due to consumption, discharge and/or regulation of flows, and fires, etc.

Naturgy has identified the environmental risks at its facilities based on the reference standard: UNE 150008 in Spain. To prevent these risks, the company has implemented a certified integrated management system that includes operational control and environmental management procedures. This system is audited internally and certified and audited externally each year by AENOR. Naturgy has also implemented emergency plans at facilities and warehouses at risk of environmental accidents, including an action plan, means of containment, and regular drills. Naturgy arranges specific insurance policies to cover risks of this type.

Biodiversity risks are discussed in more detail in chapter 6. Environmental opportunities and challenges in section "5. Biodiversity and natural capital" of the Sustainability Report and Non-Financial Information Statement.

## Reputational and ESG risk

Naturgy has identified its stakeholder groups and subgroups and defines reputational risk as the gap between those groups' expectations and the Company's performance in the environmental, social and governance dimensions.

Naturgy has developed a Sustainability Plan that determines its commitments and lines of action in 2021-2025, accompanies the transformation of the company and is aligned with the Strategic Plan 2021-2025, in line with the commitments of the Corporate Responsibility Policy and the Sustainable Development Goals (SDGs). To ensure the reliability of information on environmental, social and governance aspects, Naturgy has implemented a system of Internal Control over Non-Financial Reporting (ICNFR).

As regards environmental aspects, the commitments of the Corporate Responsibility Policy are expanded upon in the global Environmental Policy, applicable to all geographies and businesses, which establishes four strategic environmental pillars:

1. Environmental governance and management
2. Climate change and energy transition
3. Circular economy and eco-efficiency
4. Natural capital and biodiversity

## Climate change risk

In order to integrate the climate variable into Naturgy's strategic planning, climate change risks and opportunities are identified, measured and managed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The most outstanding result of this process is the incorporation of a series of goals into the new Strategic Plan 2021-2025, aligned with the objectives of the Paris Agreement to achieve climate neutrality by 2050 at the latest through the reduction of the total scope 1, 2 and 3 emissions, establishing intermediate targets aligned with the 1.5–2°C reduction pathways and with the Sustainable Development Goals (SDGs) of the United Nations

Following the TCFD taxonomy, climate change risk is derived from two risk factors: the energy transition, arising from changes in regulations, the market or technology, and the physical impacts of climate change, classified into acute physical impacts (increase in extreme weather events) and chronic physical impacts (sustained increase in average temperatures, and sea level rise).

Naturgy is a member of a number of working groups at European level, which will enable it to adapt its strategy in advance to new regulatory developments, and it participates in clean development projects aimed at reducing CO2 emissions.

In 2022, the EC published the REPowerEU Plan, aimed at reducing dependence on fossil fuels from Russia and accelerating the green transition. Naturgy is aligned with the EU's plan and sees the REPowerEU investment drive as a meaningful opportunity to advance the energy transition.

Climate change risk is discussed in detail in note 2.4.25.k of the Consolidated Annual Accounts and in chapter 6 "The Opportunity of Environmental Challenges" of the Sustainability Report and Non-Financial Information Statement.

### Other risks

Financial risks (interest rate, credit, liquidity and rating-related capital management risk) and legal risks are discussed in Notes 18 and 36, respectively, to the consolidated accounts.

Tax, compliance, data protection, business continuity, security and fraud risks are discussed in chapter 5 "Integrity and Trust" of the Sustainability Report and Non-Financial Information Statement 2023. Health & safety and Customer satisfaction risks are discussed in chapter 8 "Commitment and Talent" and chapter 7 "Customer Experience", respectively, of that same report.

### Main risks: management, measurement and trends

Risk type	Description	Management approach	Metric	Trend
<b>Commodity risk</b>				
Commodity prices	Gas	Volatility in the international markets that determine the gas price.	Physical and financial hedges. Management of the procurement and sale portfolio.	Stochastic ↑ ↑ Mismatch between the indices for long-term contracts and European hub prices.
	Electricity	Volatility in electricity markets.	Physical and financial hedges. Optimisation of the generation fleet and supply structure..	Stochastic ↑ ↑ Penetration by renewables with zero marginal cost and intermittent production.
<b>Exchange rate risk</b>				
Exchange rate	Volatility in international currency markets.	Geographic diversification. Hedging via local-currency funding and derivatives.	Stochastic	↑ Uncertainty about growth and inflation prospects in Latin America, particularly Argentina.

<b>Regulatory risk</b>					
Regulatory		Exposure to reviews of criteria and returns recognised for regulated activities and/or regulatory measures to mitigate emerging macroeconomic situations.	Step up communication with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	Pressure from regulators, as a function of the situation of the country/industry.
					↑
<b>Volume risks</b>					
	Gas	Mismatch between gas supply and demand.	Optimisation of contracts and assets worldwide.	Deterministic / Stochastic	Aggregate demand pressure. Risk of curtailment or interruption of supply.
					↑ ↑
Volume	Electricity	Reduction of the available thermal gap. Uncertainty as to renewable production volume due to resource variability.	Optimisation of the supply-generation balance.	Stochastic	Aggregate demand pressure.
					↑
<b>Margin/price risk</b>					
Margin/price		Risk created by changes in competitive pressure or margin optimisation scenarios.	Portfolio management by adapting long-term purchase and sale formulas.	Scenarios	Reviews of long-term gas contracts
					↑
<b>Legal risk</b>					
Legal		Uncertainty as to the eventual outcome of litigation, arbitration or legal claims.	Analysis and mitigation of legal risk affecting the company's operations and corporate governance. Engagement of top-level law firms. Recognition of provisions on a prudential basis.	Scenarios	The business units are affected by different laws in each country.
					↔
<b>Operational risk</b>					
Insurable risks		Accidents, damage or non-availability of Naturgy assets.	Continuous improvement plans. Optimisation of the total cost of risk and hedges.	Stochastic	Growing tension in the insurance market as a function of geography and technology due to the rising frequency and severity of both extreme weather events and cybersecurity claims.
					↑

<b>Credit risk</b>					
Credit	Uncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of end customers and counterparties.	Analysis of customer solvency in order to define specific contractual conditions. Debt collection process.	Stochastic	↔	Increase in expected and unexpected losses due to the probability of default, given the inflation situation and the global energy crisis.
<b>Interest rate risk</b>					
Interest rates and credit spreads.	Interest rate volatility on borrowings, both existing debt and refinancing.	Financial hedges. Diversification of funding sources.	Stochastic	↑	Uncertainty about interest rate scenarios.
<b>Tax risk</b>					
Tax	Ambiguity or subjectivity in the interpretation of current tax regulations, or material amendments to same. Approval of unexpected fiscal measures.	Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Good Tax Practices. Recognition of provisions on a prudential basis.	Scenarios	↑	Different business units are affected by different taxes.
<b>Liquidity, solvency, rating and provision risks</b>					
Liquidity, rating and provision risks	Financial risks associated with maintaining the company's rating, derived from liquidity conditions or other causes. Risks associated with excessive use of funds due to maintaining provisions.	Establishment of a target rating and ensuring sufficient liquidity to maintain it in the event of a potential adverse scenario.	Scenarios	↔	Ratification of the target of an investment grade rating in the Business Plan 2021-2025
<b>Security risk</b>					
Security	Residual risk associated with personal injury or material damage to critical facilities caused intentionally by a third party.	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructures (CI). Engagement with the businesses, Centro Nacional para la Protección de Infraestructuras Críticas (CNPIC), Instituto Nacional de Ciberseguridad (INCIBE-CERT) and other bodies.	Heatmap/ Scenarios	↔	Certification audits by the regulator (CNPIC) of critical operators, in which technology is of great importance.

<b>Business continuity and crisis management risk</b>				
Business continuity and crisis management risk	Risk of failing to maintain service levels as a result of a shortcoming or failure in processes, systems or staff performance.	Annual internal audit plan Weakness detection. Implementation of improvement actions. Audit and Control Committee.	Heatmap/ Scenarios	Increase in the percentage of material recommendations that are implemented. ↑
<b>Fraud risk</b>				
Fraud	Risk derived from any intentional breach of the law by an employee or a third party to benefit themselves or the company, directly or indirectly, through the improper use of Naturgy resources or assets.	Control mechanisms through the Global Policy of the Internal Control System over Financial Reporting. Arrangement of hedges in the insurance market	Scenarios	Maintain low levels of fraud at Naturgy ↔
<b>Cybersecurity risk</b>				
Cybersecurity	Malicious attacks or accidental events that affect data, computer networks or technology.	Implementation of security measures; Event analysis and remediation measures; Training.	Scenarios/ Heatmaps	The cybernetic situation is becoming more demanding. Threat protection plan to mitigate the likelihood of these risks and their associated impact. ↑
<b>Data protection risk</b>				
Data protection	Uncertainty associated with breaches of data protection obligations that may result in an administrative sanction or civil judgement.	Action Plan by business area to mitigate the risk associated with each obligation based on priority and criticality. The company operates in line with the requirements of the General Data Protection Regulation (GDPR). Internal audit plan in connection with regular compliance reviews.	Heatmap/ Scenarios	Uncertainty and tightening regulatory requirements. ↑
<b>Environmental risk</b>				

Environment	Possibility that natural phenomena or human action may result in binding regulatory environmental limits being exceeded, resulting in damage to ecosystems or biodiversity.	Emergency plans at facilities with risk of environmental accident. Specific insurance policies. End-to-end environmental management.	Scenarios/ Heatmaps	Implementation of an Integrated Management System certified and audited each year by AENOR.	↔
<b>Health and safety risk</b>					
Health and safety	Risk of injury and health impairment for professionals of Naturgy or partner companies in connection with the business.	Health and safety management system. Safety plan aimed at controlling the six most critical risk factors in terms of accident frequency and severity: confined spaces, work at heights, electrical risk, tree felling and pruning, load handling, and road safety.	Heatmap/ Scenarios	Accident rates at partner firms.	↔
<b>Reputational and ESG risk</b>					
Reputational and ESG	Impairment of stakeholders' perception of Naturgy due to environmental, social and governance issues.	Identification and tracking of potential reputation events. Transparency. Control mechanism through the system of Internal Control over Non-Financial Reporting.	Scenarios/ Heatmaps	Stabilisation of the RepRisk index scores.	↔
<b>Compliance risk</b>					
Reputational and crime risk	Administrative and criminal penalties. Impairment of Naturgy's reputation.	Crime prevention policy, Code of Ethics and Anticorruption Policy. Whistleblower channel. Training.	Heatmap/ Scenarios	Criminal offences, penalties, financial losses, and loss of reputation, contracts and customers.	↑
Counterparty risk	Administrative and criminal penalties. Harm arising from breach of contract.	Counterparty Due Diligence Procedure. Training			
<b>Climate change risk</b>					



Climate change	Uncertainty arising from the energy transition (regulation, markets and/or technologies) and the physical impacts of climate change.	Corporate positioning via the Global Environmental Policy and Environment Plan, which strengthen governance in climate issues and energy transition targets.	Stochastic/ Scenarios/ Heatmaps	Future technology uncertainty. Increased requirements in connection with the coherence of financial reporting with the company's objectives in connection with mitigating climate change risk.
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Metrics used:

- Stochastic: production of trend lines for the main magnitudes, taking the maximum deviation from the benchmark scenario to be the risk, within a pre-set confidence interval. Those magnitudes are generally EBITDA, earnings after taxes, cash flow and value.
- Scenarios: analysis of the impact, with respect to the benchmark scenario, of a limited number of possible incidents.
- Heatmap: the main risk factors for each risk category are assessed to quantify the impact and probability of the identified risks.
- Non-financial stress tests:
- Application of international risk assessment frameworks: Task Force on Climate-Related Financial Disclosures (TCFD), for climate change, and Task Force on Nature-related Financial Disclosures (TNFD), for biodiversity.

### 4.3. Main opportunities and uncertainties

Naturgy views the energy transition as an opportunity to transform the business and promote the changes needed to achieve a low-carbon economy. In this context, and based on the 2021-2025 Strategic Plan, Naturgy's main opportunities are as follows:

- **A focus on stable geographies**, with low risk and strong currencies, making it possible to capture energy demand growth and maximise business opportunities in new markets.
- **Renewable generation**: growth in renewable generation capacity in line with the global energy transition.
- **Operation and growth in Networks**, based on solid regulatory frameworks with long-term visibility and focused on continuous improvement, digitalisation and automation.
- **Technological development and innovation**: development of innovation projects in hydrogen and hydrogen blending in gas grids, renewable gas, energy efficiency, sustainable mobility and the just transition.
- **Portfolio of natural gas and LNG procurements**: continuous review and optimization of procurement contracts, continuous risk management to ensure predictable cash flows, and adaptation of the LNG carrier fleet to enhance its flexibility.

There are horizontal uncertainties, such as the macroeconomic context and geopolitical exposure, which materialize and have an impact on many of the risk types described in the previous section.

#### Uncertainty in the macroeconomic context

In recent years, the global macroeconomic situation has been profoundly altered by the concatenation of several events of unprecedented complexity and depth.

The Covid-19 pandemic and the effects of Russia's war on Ukraine, as well as those derived from the measures and sanctions imposed on Russia, caused a worsening of the global crisis with serious consequences on the world economy, energy being one of the industries most severely affected, with significant increases in the price of natural gas and oil and with extreme volatility in daily prices. Despite the turbulence in 2022, some moderation was observed in 2023 due to high storage levels, increased supply and contained growth in demand.

Naturgy monitors the current situation arising from the crisis by constantly tracking macroeconomic and business variables in order to manage potential risks. The analyses carried out for this purpose assess the indirect impacts of the conflict on the business activity, financial situation and economic performance, with particular reference to the generalized increase in commodity prices and the reduced availability of material supplies from conflict-affected areas.

Additionally, the conflict between Palestinians and Israelis has escalated recently following the terrorist attack on Israel in October 2023. While this conflict is not expected to have major global energy consequences as long as it remains regionally contained, it reduces expectations of normalisation in the region concerned and increases the geopolitical risk premium in already stressed markets.

As this situation is constantly evolving and it is difficult to predict the extent or duration of the conflict's impact, Naturgy constantly monitors the relevant macroeconomic and business variables in order to obtain the best estimate of potential impacts in real time, also taking into account recommendations by national and international supervisory bodies on the matter.

Naturgy has also taken the appropriate decisions to protect its customers' solvency and that of society as a whole by adopting price containment measures.

With regard to gas contracts, Naturgy has a long-term procurement contract for gas of Russian origin that was entered into in 2013 with an international consortium formed by Novatek (50.1%), TotalEnergies (20%), CNPC (20%) and Silk Road Fund (9.9%) and is not affected by any type of sanction. This contract has take-or-pay clauses that cover its entire term. In 2023 and 2022, Naturgy has received the volumes strictly established in the contract, which accounted for 15% of Naturgy's global supply in 2023 and 14% in 2022. Moreover, Naturgy does not have counterparties that might be affected by the sanctions, nor does it hold any interest in companies operating in Russia or Belarus or investments in these countries, or cash balances or equivalent liquid assets that are unavailable as a result of these measures and sanctions.

Additionally, a significant proportion of the company's long-term procurements have entered their ordinary price review period; in the course of negotiations, the company seeks the best long-term interests of its shareholders, creditors and other stakeholders.

On the regulatory front, both European and national governments have issued regulations to mitigate the consequences of the war on end users of energy. The regulatory framework is described in Appendix IV of the Consolidated Accounts as of 31 December 2023.

## External geopolitical exposure

Naturgy's operations and assets are exposed to the evolution of political, economic and social environments throughout the world, notably in three main geographical areas outside the European Union:

- Latin America

Uncertainty factors related to investment and business in Latin America include the influence of national governments on the economy, fluctuating economic growth rates, high levels of inflation and devaluation, depreciation or overvaluation of local currencies, a changing interest rate environment, as well as social tensions and political instability.

- Middle East and Maghreb

Naturgy has major procurement contracts for gas from several countries of the Maghreb and the Middle East. The recent conflicts in the Red Sea and the political instability in the area may result in physical damage to the assets of Naturgy's investee companies or the obstruction of the operations of those or other companies, with the result of interrupting the Group's gas supply, increasing shipping costs or delaying Group's gas supply.

## – Asia

The Asian market is emerging as a major source of geopolitical uncertainty, given the current heavy dependence of processed renewable component supply chains on Chinese exports. Interruptions in the supply of these components, due to transportation and distribution problems or direct import restrictions, might lead to an increase in material costs and delays in the commissioning of renewable energy projects in progress. Naturgy's operations are also exposed to the growth of the region's economies, such as China, as well as demand from these countries.

## 5. Subsequent events

Events subsequent to the end of the period are described in Note 39 of the Notes to the Consolidated Annual Accounts.

## 6. Forecast Group performance

### 6.1. Vision

#### Strategic pillars

On July 28, 2021, Naturgy presented the **2021-2025 Strategic Plan**, which addresses a new stage that aims to promote our industrial growth while maintaining financial discipline and taking advantage of the opportunities of the energy transition; and to become a best-in-class reference operator through the digitization of processes.

The plan is based on five solid pillars to promote Naturgy's transformation:

1. Growth
2. Focus
3. Best-in-class
4. ESG (Environment, Society and Governance)
5. Culture

Following successful execution of the Strategic Plan in 2018-22, in which the company exceeded all its committed targets, expectations for the coming years were revised and improved and were reported to the market on 12 July 2023. Those targets are, in billion euro:

#### Strategic Plan 2021-2025 Revised targets SP 2023-2025

EBITDA 2025E	4.8	5.1
CAPEX 2021-25E	14.0	13.2
Net Financial Debt 2025E	16.9	16.0
Dividends	€1,20 / share	€1,4 / share

### Growth

Our growth aims to be mainly organic, consistent with the energy transition and capable of taking advantage of asset rotation to accelerate the transformation.



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

### Focus

We focus on renewable projects in early stages of development and stable geographies; also in network projects, with a prominent role of digitization and a stable regulatory framework.



- Renewables and networks.
- Stable geographies and regulatory frameworks.
- Volatility reduction in procurement commitments.

### Best-in-class

We are committed to continuous improvement, increasing the digital footprint and reinventing relationships with our customers.



- Continuous improvement.
- Increasing digital footprint.
- Reinventing customer relationships.

### ESG

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



- Embedded at the core
- Aligned with SDG (sustainable development goals).
- Tangible targets to meet commitments.

## Culture

Our corporate culture must intensify the passion of our professionals, allow us to establish our values and be aligned with our stakeholders.



- Fueling passion on our employees.
- Solidifying core values.
- Aligned with stakeholders..

## Key investment objectives

In economic matters, our Strategic Plan pursues investment objectives that were updated in a communiqué to the markets in July 2023 following successful execution in 2018-22. The updated Strategic Plan provides for **investments of €13.2 billion** in the period 2021-25.

These investments will be undertaken while maintaining financial discipline and focusing on projects with predictable returns. Moreover, hand, 80% of the planned investment will be eligible according to the EU taxonomy of sustainable finance. This investment is aligned with the energy transition.

Capital expenditure in 2023-2025 is allocated mainly to the Renewables Generation and Distribution Networks businesses:

### Renewables Generation

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

### Distribution Networks

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

## ESG at the core of our vision

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

Our 2025 objectives in ESG are the following:

### **A** Environment

#### **Net Zero by 2050**

- Reduce total CO2 emissions by 27% (2025 vs 2017).
- Protect Biodiversity, reaching a figure of more than 350 projects to preserve ecosystems.

### **S** Social

#### **Gender parity by 2030**

- Enhance diversity, reaching more than 40% of women in management positions.
- Extending ESG throughout supply chain up to 95%.

### **G** Governance

#### **Management compensation aligned with ESG**

- Variable pay of 20% linked with ESG objectives.
- Implement climate change risk reporting and taxonomy to maintain leadership positions in the sustainability indices (100%).

## 6.2. Roadmap

Based on these strategic pillars, a roadmap is developed that is specified in economic objectives for each of the businesses.

### Renewable Generation

It is defined for the Renewable Generation business a growth strategy based on:

#### 1. Stable geographies

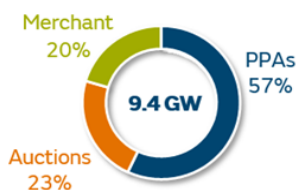
- Low risk and hard currency
- Solid regulatory frameworks
- Long-term visibility

#### 2. Proven technologies

- Solar PV, onshore wind and storage

#### 3. Customer base as a natural hedge

Balancing risks with new capacity



New installed capacity

### Distribution Networks

The following key transformation initiatives are defined for the network business:

#### 1. Electricity Spain

- At the forefront of electricity networks digitalization
- Increasing investment commitments in line with sector requirements

#### 2. Gas Spain

- Networks digital transition to ensure bes-in-class operations
- Commercial repositioning
- Accelerating contribution to decarbonization

#### 3. Gas and Electricity Latin America

- Portfolio management
- Investments to guarantee maintenance and safety standards

## Energy Markets

The following key transformation initiatives are defined for the Energy Management and Thermal Generation businesses:

### 1. Energy Management

- Progressive downsizing of procurements commitments
- Ongoing review and optimization of procurement contracts (oil to hub indexation transition)
- Risk management to ensure predictable cash flows
- Downsizing of LNG tanker fleet under time charter
- Exploring value alternatives

### 2. Spain Thermal Generation

- Remote operation and bottom-up process review of CCGT fleet
- Mothballing of non-performing CCGTs
- Working on hybridization alternatives
- Proactive regulatory management (system back-up)

### 3. GPG Latin America Thermal Generation

- New opportunities for excess capacity over PPAs
- Cost and investments efficiency
- Exploring value alternatives for Mexico CCGTs

## Supply

The following key transformation initiatives are defined for the marketing business:

### 1. Boost competitiveness

- Market repositioning
- Integrated energy offering
- Refocusing of distribution channel strategy, including additional third party agreements
- Enhance profitability

### 2. Reinvent customer relationships

- Redefined customer service
- Enhanced data analysis and customer segmentation
- Increased loyalty through customer value management

### 3. Accelerate digital transformation

- Transition to a new, simpler and integrated digital platform
- Enhanced efficiency in every single operating process

## 6.3. Summary

### Dividend policy and capital allocation

The dividend policy is set with the aim of maintaining a solid BBB rating throughout the period.

In July 2023, Naturgy announced a review of its dividend by setting a floor of €1.40/share for 2023-25 (€1.20/share in 2022) subject to maintaining a BBB credit rating from S&P. This floor for 2023-25 is consistent with the 85% average payout announced in July 2021. Based on the current share price, this represents a return of 5.4% and compensates the company's thousands of shareholders for rising interest rates and inflation.



## 7. Sustainable innovation

### Management vision and approach

The ecological transition to a carbon neutral economy is an opportunity in environmental, social and economic terms. It enables us to reduce our dependence on imported energy, improve our trade balance and move towards a prosperous modern economy. In this global context, meeting the challenge of climate neutrality requires the energy system to be transformed. Achieving this objective calls for a cross-cutting vision, moving from the conventional approach, in which the main energy uses (electricity, space heating, industrial heat, transportation) were analysed and managed individually, to a smart industry integration that flexibly combines renewable generation, storage, demand-side management and renewable fuel generation to optimize energy resources. This new model is supported by:

- **Innovation**, as a key lever for growth, makes it possible to adopt best practices, new business models and energy solutions that contribute to advancing the energy transition and combating climate change, while evolving towards technology solutions that promote process simplification, cybersecurity, data management and digitalization as principles of action.
- Innovation is **collaborative and open**, able to respond quickly to change signals in the environment and evolve in complicated scenarios, with the ability to draw lessons from mistakes and to project the future based on understanding the past and observing the present. The company's innovation model is designed to weave collaborative networks with the ecosystem in order to respond to the complexity of the environment and solve challenges in an agile and effective way, focused on the digitalization of processes and services.
- The production of **renewable gases**, such as **renewable hydrogen and biomethane**, for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediate decarbonization solution for intensive industry and transportation. It also has great potential as a vehicle for energy storage and energy integration. Similarly, biomethane is an existing technology that can replace natural gas without incurring abatement costs to adapt infrastructures or equipment; it is also a clear example of the circular economy since it is a renewable gas produced from organic waste.
- Optimization of **renewable energy generation** through innovative systems due to their superior energy efficiency; their ability to be integrated into the environment at a lower cost or with greater reliability. This will attract new players into the system to cover part of the energy needs of households, SMEs and public administrations.
- The **direct use of energy** through **manageable electricity consumption that provides flexibility** in, for example, air conditioning and mobility, as well as through **storage** for later use.
- The **response to increasingly atomized markets**, with small, fast competitors, in both supply and generation, through smaller renewable plants that are closer to the point of consumption.

On this basis, Naturgy is undertaking an extensive investment program in renewable energies as a result of the 2021-2025 Strategic Plan and developing new lines of business in areas such as renewable gases, hydrogen and biomethane, storage and sustainable mobility; the goal is to provide a broad range of value-added services and promote sustainable innovation as a driver of development, as well as the deployment of a portfolio of projects that enable the company to expand its industrial profile: start-up incubator, investment vehicle, etc.

Additionally, the NextGen EU programme and its application in Spain through the Recovery, Transformation and Resilience Plan represent a clear funding opportunity to respond to the country's main challenges over the next decade.

Two of these main challenges are the energy transition and the digital transformation, both of which are central pillars of Naturgy's Strategic Plan. The company wants to be a key player in accelerating transformation in a sustainable and inclusive way, through innovative, competitive projects that have a positive impact on the environment and society.

Within the framework of the Recovery Plan, Naturgy has presented projects in the following areas:

- Renewable gases, mainly for the development of H2 and biomethane production projects, with a model based on the development of hydrogen valleys and their interconnection and adaptation to the gas network.
- New renewable generation technologies, such as offshore wind and the development of energy storage systems, to favour the integration of renewable energies and provide flexibility to the system.
- Digitalization, including projects for the digitalization of the company's electricity grids, improvements in the operation and maintenance of renewable generation infrastructures, and systems for participating in electricity markets. Also, cross-cutting projects related to data and cybersecurity.
- Energy efficiency, for the development of efficiency solutions and promotion of auto-production by end customers (industrial, tertiary and residential). The proposed projects focus mainly on innovative solutions for shared auto-production, accompanied by social measures that integrate training and rehabilitation, promoted by the Naturgy Foundation.
- Just Transition, in order to promote solutions that guarantee employment and business development in the territories affected by the closure of coal-fired power plants, projects for new renewable power plants and renewable gas plants have been proposed at Just Transition sites.

## Investment in innovation

In Naturgy's business, innovation is mainly focused on developing projects that promote the company's digitalization, ensuring safety and operational improvement, and facilitating access to the best information in a timely manner for better decision making, with the aim of creating value and ensuring the company's long-term competitiveness.

Some of the projects developed in Naturgy's various business area are described below:

### Renewable Generation Spain

- Development and implementation of several improvements through automation and data analysis to enhance the detection of events and anomalies.
- Development of new sensors and analytics in hydroelectric plants in order to reduce the need for human inspections and shorten incident response times.

### Supply Spain

- Implementation of a new commercial platform for distributed generation products as a single system for generating bids, calculating technical requirements based on the location and supporting the customer throughout the sales process and the installation of the auto-production product.
- A single repository with contract and customer service data for advanced analysis of customer information that allows for a 360-degree understanding of Naturgy's customers.
- Application of AI to the consumption curve of customers who so wish.
- Implementation of a demand aggregation platform developed by a spin-off of the Catalonia Energy Research Institute (IREC).

### Gas Distribution Networks Spain

- Project Fractal, an analysis and simulation tool for energy control based on automatic calculations of best estimates and comparative and predictive simulation, with a focus on greater governance.

## Energy Management Spain

- Evolution of the SCADA system that currently supports the operation of Naturgy's generation fleet and its participation in the electricity markets under the Generation Control Office. This system supervises and controls Naturgy's electricity output, sending signals in real time (capacity, voltage, temperature, etc.) and receiving and managing the action instructions sent by the national grid (Red Eléctrica) to maintain the balance between electricity production and demand at all times, as well as ensuring the safety of the grid. This projects seeks to upgrade both the software and hardware to achieve a more flexible, parameterizable system with enhanced performance and functionalities that can support different control algorithms and with a graphical interface that does not depend on physical machines.

For more details on innovation projects and investments, see chapter 9 “Innovation and new business” of the Sustainability Report and Non-Financial Information Statement.

## Main lines of innovation in Renewable Gases and New Businesses

The main lines of innovation in Renewable Gases and New Businesses on which Naturgy is currently working are described below:

### Renewable gases

Basing the decarbonization of the economy predominantly on a high level of electrification supported by renewable energies presents technical limitations in certain energy-intensive industries, such as manufacturing and transportation.

Since electrification cannot cover the entire energy demand, further integration of the electricity and gas sectors is an effective solution to achieve the decarbonization goals through the complementarity of renewable gases, gas infrastructure and electricity. The gas grid currently has considerable storage capacity and a reach and capillarity that enable it to transport large amounts of energy to where it is consumed; these features are essential for using renewable gases to decarbonize energy end-use at all points where natural gas is currently consumed.

The development of renewable gases, biomethane and hydrogen, is one of Naturgy's strategic vectors in its business and climate action plan to reduce a significant part of the greenhouse gas (GHG) emissions that make up the company's carbon footprint, to decarbonize the economy and to create jobs in areas affected by the closure of coal-fired power plants. The ultimate goal is to decarbonize all gas consuming sectors, such as industry, the residential sector and transportation, while focusing on the creation of green jobs in rural areas, in line with Spain's strategy against depopulation.

Renewable gases are present in the REPowerEU Plan, which aims to rapidly reduce dependence on Russian fossil fuels and advance the ecological transition. In this energy context, as one of the main operators of basic natural gas infrastructures, Naturgy has adopted a leading role to drive the development of the renewable gas value chain.

### Biomethane

The production of renewable biomethane from livestock, agricultural or industrial organic waste, or from landfills and wastewater plants, is an excellent example of the circular economy in the energy sector, providing significant environmental benefits, a supplementary source of income for rural areas and a decarbonized supply to end users.

Naturgy is working on a portfolio of projects throughout the integrated value chain, including waste management, and biogas and biomethane production, distribution and supply.

Naturgy has experience in producing renewable gas on a commercial scale, acquired in projects conducted in recent years such as the Elena landfill, new more innovative projects taking shape such as the one in Vilasana (Lleida), and the Bens (A Coruña) wastewater treatment plant (WWTP).

Naturgy currently has a portfolio of 38 projects under way for producing biogas and upgrading to biomethane for injection into the natural gas grid:

- 19 projects based on livestock waste (1,115 GWh/year).
- 1 project based on WWTP sludge (6 GWh/year).
- 10 industrial waste projects (377 GWh/year).
- 1 landfill project (12 GWh/year).
- 6 projects using agricultural waste (439 GWh/year).
- Second phase of the renewable gas mixed unit, research into biogas, biomethane and other gases such as green hydrogen and bio-syngas.

## Hydrogen

Despite its usage difficulties, availability and technology cost, renewable hydrogen has a promising future. The REPowerEU Plan has reinforced Spain's roadmap, which sets a target of 4 GW of installed electrolysis capacity by 2030, i.e., 10% of the target set by the European Union; the draft NECP raised this to 11 GW in a clear sign of support for hydrogen. The support of government and the private sector, especially by existing users of grey hydrogen (e.g. refineries and fertilizer plants), will be essential for the implementation of large-scale projects to attain the expected technology path.

Green hydrogen is an energy vector capable of:

- Channelling large amounts of renewable energy from power generation to sectors where electrification is not feasible.
- Storing and managing energy on a massive scale over long periods of time, matching energy supply and demand.

Spain's existing natural gas transport and distribution infrastructure can be used in the short term to transport hydrogen in the form of a blend of up to 5% without requiring additional investment, in accordance with the provisions of the Directorate General of Energy Policy and Mines Resolution of 21 December 2012 amending the detail protocol PD-01 "Measurement, Quality and Odorization of Gas" as part of the gas system technical management standards. In the medium term, blends of over 10% can be achieved by adapting the compressor stations and other minor components.

To promote the penetration of hydrogen as a renewable energy vector, it is necessary to develop the entire value chain, from production to final demand. Royal Decree 376/2022 establishes a system of Guarantees of Origin (GoOs) for renewable hydrogen, establishing their definition and the conditions for their issuance, which will drive deployment among industrial users with significant decarbonization needs where electrification is difficult and whose location does not coincide exactly with the production site.

For years, Naturgy has been researching the development of hydrogen because of Spain's enormous scope to become a strategic exporter of this new renewable energy that can travel long distances using existing infrastructure integrated with the electricity grid, the goal being to achieve an efficient, resilient energy system. Naturgy, an essential player in energy transmission and distribution, can contribute its global capacity and know-how throughout the value chain.

In 2023, Naturgy worked on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of thermal power plants. The goal of multi-demand hubs is to drive the development of new markets for direct use by industry, injection into the gas grid for supply with guarantees of origin, mobility, and the production of H2 derivatives.

## Storage

The geopolitical situation and the current energy crisis have further boosted renewable energy. Under Spain's National Integrated National Energy and Climate Plan (PNIEC) 2021-2023, renewables energies will account for 74% of the energy mix by 2030. Under current policies, a forthcoming revision of the PNIEC and of the 2030 targets of the European Green Deal will increase the level of ambition for wind and photovoltaic to 81% of Spain's energy mix by 2030.

This presents the energy system with the challenge of equipping itself with flexible tools to manage production, match generation and consumption, avoid sudden drops in production, and provide firm capacity to the system. In this scenario, storage is key to the security and quality of supply.

While development of storage systems, particularly batteries, is ongoing, they are now mature enough to support the development of renewables. Lithium-ion (Li-ion) batteries are currently among the most efficient battery technologies, both technically and economically, and are expected to experience the fastest growth. Nevertheless, the main limitation is price; consequently, in energy markets that are not very mature in the use of this type of storage, projects need government support for development in the short term.

Although Naturgy has tested Li-Ion and redox flow battery projects, the lack of regulation means that it has not been possible to test their operation in the Spanish electricity grid. That is the greatest challenge at present: to manage storage and integrate it into both the power and balancing markets.

A total of over 80 MW in projects are currently in the permitting process and there is a potential portfolio of over 200 MW for the coming years. These projects are being developed with Spanish technology partners and research centres, the aim being to create employment and strengthen the business fabric throughout the projects' value chain.

Accordingly, and as the energy transition is one of the pillars of the Recovery Funds, significant support is expected for this type of project. The aid represents an opportunity to accelerate the implementation of this technology. A stable favourable regulatory framework coupled with the expectation of a reduction in costs suggest that the technology will be viable without subsidies in the medium term, over the next ten years.

## Sustainable mobility

In 2023, Naturgy maintained its commitment to sustainable mobility based on a range of technologies.

In gas, the infrastructure of natural gas vehicle (NGV) refuelling stations for public use continued to be expanded at a national level, oriented towards a transformation to BioCNG; since natural gas has lower emissions than other fossil fuels, it can assist in decarbonizing transportation, particularly heavy goods transportation.

With regard to electric mobility, 419 retail recharging facilities have been installed as well as 67 in the industrial sector, with a further 39 facilities under construction.

Noteworthy initiatives undertaken in 2023 include:

- **Signature of the first contract to provide GoOs for biomethane in heavy goods transportation.** Naturgy has agreed to supply Guarantees of Origin (GoOs) to transportation company Disfrimur for vehicles used in food transportation. The use of biomethane will make it possible to decarbonize heavy and last-mile transport in the short and medium term.
- **Three public natural gas refuelling stations for vehicles owned by Madrid City Government will be upgraded between now and 2039.** As part of the tender conditions, Naturgy undertook to supply more than 80% biomethane during the entire contract period, which means supplying more than 200 GWh of biomethane. This fuel substitution will contribute to reducing emissions by up to 35,000 tCO<sub>2</sub>/year, which is equivalent to taking 14,500 vehicles in a city off the road for one year.
- **Supply of electricity from renewable sources at all public electric charging stations.** Naturgy is committed to promoting renewable energies in the field of mobility, which will allow the decarbonization of light vehicles in urban environments.

## 8. Annual Corporate Governance report

Attached as an Appendix and forming an integral part of this Directors' Report is the Annual Report on Corporate Governance 2023, as required by article 538 of the Capital Companies Act.

## 9. Annual Board Remunerations report

Attached as an Appendix and forming an integral part of this Directors' Report is the Annual Board Remunerations Report 2023, as required by article 538 of the Capital Companies Act.

## 10. Additional information

### 10.1. Treasury shares

Movements during 2023 and 2022 involving treasury shares of Naturgy Energy Group, S.A. are as follows:

	Number of shares	Amount (million euro)	% Capital
<b>01.01.2022</b>	<b>8,802,821</b>	<b>204</b>	<b>0.9 %</b>
Share acquisition plan	15,000	—	— %
Delivered to employees	(122,328)	(3)	— %
<b>31.12.2022</b>	<b>8,695,493</b>	<b>201</b>	<b>0.9 %</b>
Share acquisition plan	357,094	10	— %
Delivered to employees	(172,992)	(5)	— %
<b>31.12.2023</b>	<b>8,879,595</b>	<b>206</b>	<b>0.9 %</b>

In 2023 and 2022, no gains or losses were made on transactions involving treasury shares.

On 5 March 2019, the shareholders in general meeting authorised the Board of Directors to purchase, within five years, in one or more operations, fully paid Company shares; the nominal value of the shares directly or indirectly acquired, added to those already held by the Company and its subsidiaries, must not exceed 10% of share capital or any other limit established by law. The price or value of the consideration may not be lower than the par value of the shares or higher than their quoted price.

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

Transactions involving the treasury shares of Naturgy Energy Group, S.A. relate to:

#### 2023

- Share acquisition plan: In accordance with the resolutions adopted by the shareholders of Naturgy Energy Group, S.A. at the general meeting held on 5 March 2019, within the Share Acquisition Plan 2020-2023, the one relating to 2023 addressed to Naturgy employees in Spain who decide voluntarily to take part in the Plan was set in motion in March 2023. The Plan enables participants to receive part of their remuneration in the form of shares in Naturgy Energy Group, S.A., subject to an annual limit of Euros 12,000. During March 2023, 210,000 treasury shares were acquired for Euros 6 million, in April 2023 a total of 172,992 shares were delivered to employees for an amount of Euros 5 million and in July 2023 147,094 treasury shares were acquired for Euros 4 million, leaving a surplus of 184,102 treasury shares which has been added to the 55,898 shares left over from the 2019-2021 Share Acquisition Plans.

**2022**

- Share acquisition plan: As mentioned in the previous paragraph, as part of the Share Acquisition Plan 2020–2023 the plan for 2021, aimed at Naturgy employees in Spain, was set in motion in December 2021. This plan was completed in January 2022 through the acquisition of 15,000 treasury shares in addition to the 127,453 shares acquired in December 2021, for an amount of Euros 0.4 million. During January 2022, a total of 122,328 shares amounting to Euros 3 million were delivered to employees. The surplus of 20,125 treasury shares was added to the 35,773 shares left over from the 2020 and 2019 Share Acquisition Plans.

At 31 December 2023 and 2022 it also includes 8,639,595 treasury shares to cover the potential delivery of shares resulting from the increase in the value of the shares relating to the long-term variable incentive plan. (See share-based payments in this note)

Note 14 of the Notes to the Consolidated Annual Accounts contains full information on treasury shares.

## 10.2. Disclosure of delays in payment to suppliers

The average payment period is calculated in accordance with Law 15/2010 on measures to combat late payment in business operations and the changes brought in under Law 18/2022 of 28 September on the formation and growth of companies.

In accordance with the above regulations, the information regarding the average payment period to suppliers in commercial operations is as follows:

	<b>2023</b>	2022
Total payments (million euro)	16,518	26,206
Total outstanding payments (million euro)	511	994
Average supplier payment period (days) (1)	21	18
Transactions paid ratio (days) (2)	21	18
Transactions pending payment ratio (days) (3)	28	21
Total payments within the period established in the delinquency regulations (Euros million)	16,426	26,087
% of the amount paid within the period established in the delinquency regulations with respect to the total amount paid	99.44 %	99.55 %
Number of invoices paid within the period established in the delinquency regulations	25,084,920	21,308,793
% of invoices paid within the period established in the delinquency regulations with respect to the total invoices paid	98.80 %	99.80 %

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

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

(3) Average age, suppliers pending payment balance

(4) Information requirement according to Law 18/2022.

## Appendix I. Alternative performance metrics

Naturgy's financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others that are based on the Group's disclosure model, referred to as Alternative Performance Metrics (APM), which are viewed as adjusted figures with respect to those presented in accordance with IFRS.

The chosen APMs are useful for persons consulting the financial information as they allow an analysis of the financial performance, cash flows and financial situation of Naturgy, and a comparison with other companies.

Below is a glossary of terms with the definition of the APMs used. Generally, the APM terms are directly traceable to the relevant items of the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows or notes to the financial statements of Naturgy. Terms which cannot be directly cross-referenced are reconciled in the Glossary below.



Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2023	Reconciliation of values at 31.12.2022	Relevance
EBITDA	EBITDA = Net sales (2) – Procurements (2) + Other operating income (2) – Personnel expenses, net (2) – Other operating expenses (2) + Gain/(loss) on disposals of fixed assets (2) + Release of fixed asset grants to income and other (2)	Euros 5,475 Million	Euros 4,954 Million	EBITDA (“Earnings Before Interest, Taxes, Depreciation and Amortization”) measures the Group’s operating profit before deducting interests, taxes, depreciations and amortizations. By dispensing with the financial, tax and accounting expenses magnitudes that do not entail a cash outflow, it allows evaluating the comparability of the results over time. It is an indicator widely used in the markets to compare the results of different companies.
Operating Expenses (OPEX)	Personnel expenses, net. (2) + Own work capitalised (4) (Note 25) + Other operating expenses (2) - Taxes (4) (Note 26)	Euros 1,929 Million = 580 + 79 + 1,780 - 510	Euros 1,794 Million = 547 + 74 + 1,511 - 338	Measure of the expenses incurred by the Group to carry out its business activities, without considering taxes. Amount allowing comparability with other companies.
Capital expenditure (CAPEX)	Investment in intangible assets (4) (Note 5) + Investment in property, plant and equipment (4) (Note 6)	Euros 2,136 Million = 327 + 1,809	Euros 1,907 Million = 333 + 1,574	Measure of the investment effort of each period in assets of the different businesses, including accrued and unpaid investments. It allows to know the allocation of its resources and facilitate the comparison of the investment effort between periods. It is made up both of maintenance and growth investments (funds invested in the development or for the expansion of the Group's activities).
Net capital expenditure (Net CAPEX) (6)	CAPEX (5) - Other proceeds from investing activities (3)	Euros 2,060 million = 2,136 - 76	Euros 1,833 Million = 1,907 - 74	Measure of the investment effort of each period without considering the assets transferred or contributed by third parties.
Gross financial debt	Non-current financial liabilities (1) (Note 17) + Current financial liabilities (1) (Note 17)	Euros 15,970 million = 13,426+ 2,544	Euros 16,301 million = 13,999 + 2,302	Measure of the Group's level of financial debt. Includes current and non-current concepts. This indicator is widely used in capital markets to compare different companies.
Net financial debt	Gross financial debt (5) – Cash and cash equivalents (1) – Derivative financial assets linked to financial liabilities (4) (Note 18)	Euros 12,090 million = 15,970 - 3,686 - 194	Euros 12,070 million = 16,301 - 3,985 - 246	Measure of the Group's level of financial debt including current and non-current items, after discounting the cash and cash equivalents balance and asset derivatives linked to financial liabilities. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2023	Reconciliation of values at 31.12.2022	Relevance
Leverage (%)	Net financial debt (5) / (Net financial debt (5) + Equity (1))	50.3% = 12,090 / (12,090 + 11,929)	54.7% = 12,070 / (12,070 + 9,979)	Measure of the weight of external resources in the financing of business activity. This indicator is widely used in capital markets to compare different companies.
Cost of net financial debt	Cost of borrowings(4) (Note 30) – Interest income (4) (Note 30)	Euros 485 million = 675 - 190	Euros 501 million = 568 - 67	Measure of the cost of financial debt without considering income from financial interests. This indicator is widely used in capital markets to compare different companies.
EBITDA / Cost of net financial debt	EBITDA (5) / Cost of net financial debt (5)	11.3x = 5,475 / 485	9.9x = 4,954 / 501	Measure of the company's ability to generate operating resources in relation to the cost of financial debt. This indicator is widely used in capital markets to compare different companies.
Net financial debt / EBITDA	Net financial debt (5) / EBITDA (5)	2.2x = 12,090 / 5,475	2.4x = 12,070 / 4,954	Measure of the Group's ability to generate resources to meet financial debt payments. This indicator is widely used in capital markets to compare different companies.
Net free cash flow	Cash flow generated from operating activities (3) + Cash flows from investing activities (3) + Cash flows from financing activities (3) – Receipts/payments from financial liability instruments (3)	Euros 474 million = 4,857 – 2,739 - 2,263 + 619	Euros 744 Million = 4,242 - 1,486 – 2,854 + 842	Measure of cash generation to assess the funds available to debt service.
Free cash flow after non-controlling interests	Net free cash flow (5)+ Parent company dividends net of collected by other group companies (4) (Note 14) + Purchase of treasury shares (4) (Note 14) + Investment payments (growth companies, associated and business units) (3)	Euros 2,536 Million = 474 + 1,441 + 10 + 611	Euros 1,914 Million = 744 + 1,153 + 0 + 17	Measure of cash generation corresponding to operating and investment activities. It is used to evaluate funds available to pay dividends to shareholders, the payment of inorganic investments (acquisitions of companies or businesses) and to attend debt service.
Average cost of gross financial debt	Cost of borrowings (4) (Note 30) - cost of lease financial liabilities (4) (Note 30) - Other refinancing costs (4) (Note 30) / annual average of the monthly weighted average of the gross financial debt (excluding lease financial liabilities) (4) (Note17)	3.9% = (675 - 84 - 29) / 14,325	3.0% = (568-85-31) / 15,099	Measure of the effective interest rate of financial debt. This indicator is widely used in capital markets to compare different companies.

Alternative performance metrics	Definition and terms	Reconciliation of values at 31.12.2023	Reconciliation of values at 31.12.2022	Relevance
Liquidity	Cash and other equivalent liquid (1) + Undrawn and fully committed lines of credit (4) (Note 17)	Euros 9,237 million = 3,686 + 5,551	Euros 9,482 Million = 3,985 + 5,497	Measure of the Group's ability to face any type of payment.
Economic value distributed	Procurements (2) + Other operating expenses (includes Taxes) (2) + Income tax payments (3) + Personnel expenses (2) + Work carried out for fixed assets (4) (Note 25) + Financial expenses (2) + Dividends paid by the parent company (4) (Note 14)+ Discontinued activities expenses (4) (Note 11)	Euros 20,193 million = 15,106 + 1,780 + 377 + 580 + 79 + 817 + 1,454 + 0	Euros 32,089 million = 27,194 + 1,511 + 762 + 547 + 74 + 837 + 1,164 + 0	Measure of the company's value considering the economic valuation generated by its activities, distributed to the different interest groups (shareholders, suppliers, employees, public administrations and society)
Market capitalisation	No. of shares ('000) outstanding at end of period(4) (Note 14) * Market price at end of period(4) (Note 14)	Euros 26,180 million = 969,614 * 27.00 euros	Euros 23,571 million = 969,614 * 24*31 euros	Measure of the company's market value based on the market price of its shares.

(1) Consolidated balance sheet line item.

(2) Consolidated income statement line item.

(3) Consolidated statement of cash flows line item.

(4) Figure detailed in the Notes to the consolidated annual accounts.

(5) Figure detailed in the APMs.

(6) Figure detailed in the Directors' Report.

**Appendix II. Non-financial information statement**

Naturgy

# Sustainability Report and Non- Financial Information Statement 2023

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# 01. Letter from the Chairman

[2-1] and [2-22]

## Dear readers,

In 2023 we celebrated our 180th anniversary, an achievement we are proud of.

The story of Naturgy is the story of change. A metamorphosis on a grand scale, fuelled by an unwavering entrepreneurial spirit and an enduring commitment to social service that continues to this day.

Throughout this time, Naturgy has established itself as one of the main players in the energy evolution not only in Spain, but also in many other countries where it has brought technological advances that have improved the lives of millions of people, have contributed to the competitiveness of thousands of companies and have promoted the welfare and economic growth of diverse societies on five continents.

Today, almost two centuries later, Naturgy is still a company that is changing and responding to the challenges of the present. It is once again demonstrating its pioneering spirit by boosting the use of renewable gas as a key vector of the energy transition and decidedly championing the generation of electricity through carbon-free renewable technologies.

Naturgy thus faces the future with the focus on solving, with its firm commitment, the energy trilemma represented by continuous progress in sustainability, achieving reasonable energy costs that allow us to serve our customers at reasonable prices, and ensuring security of supply to society. As a committed company, we are steadfast in our commitment to provide energy solutions that safeguard the environment, while ensuring affordability and maintaining security of supply. This approach is crucial for effectively navigating the energy transition and ensuring that no one is left behind in the process.

## Naturgy, a key player in the energy transition

With this conviction, Naturgy wants to be a relevant player in the evolution of the sector towards a realistic energy transition that is compatible with our environment, and we have therefore continued to develop the roadmap set out in its strategic plan.

In 2023, total investments have grown by almost 12%. Of the total invested, more than 60% has been allocated to growth, mainly to the development of renewable generation projects and networks. In terms of sustainability, it is worth noting that 79% of the investments are eligible and 74% are aligned under the EU Taxonomy, thus demonstrating the soundness of a sustainable business model and the creation of long-term value for the planet and people.

At the end of 2023, Naturgy had reached more than 6.4 GW of renewable electricity generation capacity in operation, of which 4.9 GW were operational in Spain.

Outside Spain, the first energy output from the 7v Solar Ranch photovoltaic plant, Naturgy's first renewable energy plant in the United States, which has a peak capacity of 300 MW and will generate 560 GWh of electricity per year, took place at the end of 2023. It has also started construction of the Grimes project (269 MW) in Texas, which will be its second photovoltaic installation in the country.

In Australia, Naturgy began operating its third wind farm, BerryBank II, increasing the company's total installed capacity to 386 MW. 10 MW of battery storage capacity have also been incorporated.

In 2023, Naturgy continued to play a leading role as a driving force in the development of the value chain for renewable gases such as biomethane and hydrogen. In the biomethane field, the company has a portfolio of more than 60 projects under development, of which 37 are for the production of biogas and subsequent enrichment to produce biomethane for injection into the natural gas grid, and the remainder are based on marketing agreements.. As for hydrogen, the company is working on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of thermal power stations.



The company has also stepped up investment in its electricity distribution networks, which are necessary not only to bring the product of these technologies closer to the end user, but also to guarantee security of supply and day-to-day operations. The aim is for the transformation of the grid to make a very significant contribution to the move towards decarbonisation of the economy, while at the same time strengthening the security of supply for all citizens.

Naturgy wants to be a key player in the energy transition reducing total Scope 1, 2 and 3 emissions by 27% by 2025 compared to the 2017 baseline, as outlined in the Strategic Plan and our Sustainability Plan. In this respect, we took further decisive steps to achieve our goals in 2023. This fact is evident in the significant reduction of direct emissions (scopes 1 and 2), totalling 12.9 MtCO<sub>2</sub>eq, marking a 41% decline compared to our base year of 2017. Similarly, our total carbon footprint, which encompasses both direct and indirect emissions, amounted to 114.6 MtCO<sub>2</sub>eq, reflecting a 30% decrease from the levels recorded in 2017.

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 advance the commitment to no net loss of biodiversity and the enhancement of the value of natural environments. Thus, in 2023 alone we implemented 353 biodiversity initiatives, 22% of which were voluntary, as well as environmental restoration actions on 336 hectares, more than 22% of which corresponded to protected areas, habitats or species.

### **Naturgy, an agent for a just transition and on the side of its customers**

In 2023, energy prices have normalised after the spike in 2021, which was exacerbated in 2022 following the conflict in Ukraine.

In this context, the company has kept its commitment to its customers and extended the price reduction initiative started in 2021 via the Commitment Tariffs, both in electricity and gas. More than 2 million customers have benefited from them.

As part of its commitment to the fight against climate change, Naturgy also reached an important milestone in 2023 by reaching more than 1,600,000 contracts with green electricity certificates via a mechanism of guarantees of origin and 580,000 contracts with green gas certificates via emission reduction certificates.

As a company committed to the communities and the environment in which it operates, I would like to highlight the progress made in the last financial year in the implementation of the social engagement model in several territories where the company is developing the construction and operation of renewable energy facilities. This model concretises Naturgy's social commitment in the territories where the company operates, through actions focused on education and awareness-raising for different target groups, the promotion of training actions to create local jobs and the adoption of agreements and alliances with different local groups.

### **Naturgy, goals achieved**

During 2023, the company presented the strategic review with a 2025 horizon following the execution of the first half of the Strategic Plan 2021-2025 and exceeding all committed targets to date. Investments for the five-year period 2021-2025 would amount to more than 13.2 billion, an increase of more than 5 billion compared to the previous strategic period.

The results achieved in 2023 confirm that adequate progress is being made in the implementation of the strategy. Specifically, in 2023, Naturgy has posted an Ebitda of Euros 5,475 million with a net result of Euros 1,986 million.

The Networks combined business in both Spain and Latin America grew compared to 2022 due to both the tariff update and improved operating performance. The good global performance of businesses in Latin America was partially offset by a negative impact of exchange rates, mainly by the depreciation of the Argentine peso.

Liberalised activities continued to adapt to the volatile energy environment during the year. Most of the Ebitda growth was contributed by the Energy Management, Renewable Generation and Retail Supply segments.

These results have enabled the company to undertake investments and meet its shareholder remuneration commitments, improve the ratio of net financial debt to Ebitda to 2.2x, and maintain a high level of tax contribution with Euros 2,229 million generated for public administrations.

Beyond financial results, our sustainability management has also been recognised by the market. As an example of this, the company has been recognised by Ecovadis with the Gold medal, ranking Naturgy among the top 5% of all the companies scored by this rating platform. In addition, we have been recognised once again as a world leading company for our action against climate change and water management by the prestigious Carbon Disclosure Project (CDP) index and for another year, uninterruptedly for two decades, Naturgy continues to appear on the FTSE4Good index.

### **Naturgy, a team of people up to the challenge**

None of this would have been possible without the trust, work and commitment of all the people who are part of this corporate project, with whom Naturgy maintains a strong commitment to their development, evidenced by the 14% increase in the number of hours devoted to training in 2023.

Naturgy maintains a firm commitment to the health and safety of people, supported through policies and actions aimed at preserving and promoting responsibility in this area. Consequently, in 2023 the Management Committee approved a new health and safety plan for the 2024-2025 period, which will contribute to the achievement of the commitments and targets in health and safety assumed by the Board of Directors.

The company considers essential the promotion of diversity and equal opportunities among all company employees. Thus, in 2023, the Naturgy Equality Plan was signed, which enhances the strengths in this area and introduces a catalogue of specific measures and actions to maintain, correct and prevent deviations in terms of equality.

Lastly, I would like to thank the trust, work and effort of all those people who make Naturgy's success possible: the support of the shareholders, the loyalty of our customers and suppliers and, especially, the trust and commitment of all the professionals linked to the company. The achievements I mention in this letter and those that appear throughout the report belong, without a doubt, to all of them.

Thank you very much,

**Francisco Reynés**

## 02. Naturgy's vision for the future

180 years ago, the project that today is Naturgy was born with the vocation of transforming the world through energy. Ground-breaking in the introduction in Spain of town gas and, later, natural gas; almost two centuries later, Naturgy continues to demonstrate its innovative and pioneering spirit with the introduction of renewable gas as a fundamental energy carrier in the energy transition, together with the promotion of renewable wind and solar power.

Throughout this time, Naturgy has established itself as one of the main players in the energy evolution not only in Spain, but also in many other countries where it has brought technological advances that have improved the lives of millions of people, have contributed to the competitiveness of thousands of companies and have promoted the welfare and economic growth of diverse societies on five continents.

In these 180 years, Naturgy has been able to adapt its business model to the social, technological and economic changes that have taken place in the world through a business management that is resilient to the different contexts of history and a transforming culture that drives people's day-to-day lives.

The Naturgy of the present and the future is fully committed to sustainable development and environmental, social and governance criteria, with a special emphasis on the reduction of greenhouse gas emissions, and to this end it is based on a business model focused on guaranteeing the supply of competitive, safe and sustainable energy that is committed to renewable energies and gases.

The company looks to the future inspired by the pillars that have guided it for nearly two centuries and driven by its purpose and transformative values.

### 1. Purpose and strategy

In a global scenario that continues to be stressed by different simultaneous crises, geopolitical conflicts, tensions in the supply chain and the evolution of climate change, together with an economic context marked by inflation and the hike of interest rates that exacerbate inequality, families and companies feel the vulnerability of society and the planet.

In this scenario, Transforming together, Naturgy's purpose, defines the direction and the future of the company. A future that involves transforming the world through energy, tackling with determination the challenges of the energy transition and the demands of society, working with excellence, transparency and the talent of a committed team and together with stakeholders.

Four values guide Naturgy's purpose: innovate for a better future (Forward Vision), work with excellence (Excellence Driven) from the most human side (People Oriented), and with the ultimate goal of contributing to a more sustainable world (One Planet).

To carry out this purpose and generate a positive impact on people and nature, the company has defined a Strategic Plan 2021-2025 based on five pillars: the search for organic growth, the focus on renewable and network activities, the continuous improvement of processes (in particular customer relationship), the full integration of Environmental, Social and Governance (ESG) criteria in strategy and management, and the cultural transformation that makes all of this possible.

In 2023, the macroeconomic scenario influenced by high inflation and the resulting high interest rates that add uncertainty to the economic outlook, the unprecedented volatility in the energy sector, regulatory changes accompanied by an acceleration of energy transition plans in both Europe and the United States, not to mention the prominence of ensuring security and affordability of supply, made it advisable to analyse the evolution of the Strategic Plan in light of these trends.

This review, carried out halfway through the plan, incorporates and highlights the role that Naturgy will continue to play as a key player in providing a balanced solution to the energy trilemma.

## The energy transition must balance the trilemma

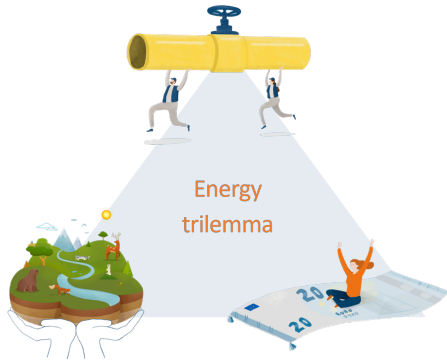
Naturgy will continue to play a key role in addressing the energy trilemma

### Sustainability

- Renewable installed capacity as % of total by 2025: ~50%
- Increased focus on renewable gases

### Security of supply

- Essential role in procuring gas to the Spanish economy (>30% of imported gas)
- Take or pay risk in gas procurement contracts
- CCGTs increased activity / higher baseload needs



### Competitive and affordable prices

- 60% of customers benefited from Naturgy's long-term price initiatives in 2022
- Measures to support shift to gas regulated tariffs

### 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 in over 24 countries. It supplies gas and electricity to almost 16 million customers. Its installed capacity is 16.2 GW and offers a diversified mix of electricity generation. A resilient model to meet the challenges of the energy transition.

### What are we like?

#### Our principles

- 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 the energy transition and responding to the demands of society and customers. Naturgy wants to do it 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 networks activities in stable geographies and regulatory frameworks and reduce volatility in supply commitments.
- To be a best-in-class company:** to carry out continuous improvement processes, increasing the digital footprint and reinventing the relationship with customers.
- Continue to incorporate ESG aspects:** rooted in the essence of the company, aligned with the SDGs and guided by tangible goals to meet commitments.
- Change the culture:** drive passion in employees through core values and be aligned with different stakeholders.

## Main investment objectives

In economic terms, Naturgy's Strategic Plan pursues ambitious objectives, with an estimated investment for the 2021–2025 period of Euros 13,200 million. This investment is established by maintaining financial discipline and focusing on projects with predictable return in renewable energies and grids.

For the 2023–2025 period, an investment of Euros 9.9 billion is estimated, in which the two main lines of investment are distributed as follows:

### Renewables

**~Euros 6,000 million**

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

### Networks

**~Euros 2,800 million**

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

It should be noted that 80% of the Strategic Plan investment will be eligible under the EU Taxonomy of Sustainable Finance. This investment will therefore be aligned with the energy transition.

## ESG at the core of the company's vision

Naturgy's Strategic Plan, as well as the Sustainability Plan emanating thereof, reflect the company's commitment to the environment, society and governance (ESG). Placing sustainability as the backbone of the company's strategy roadmap allows it to reduce its environmental impact, increase the involvement and commitment of stakeholders and endorse the company's commitment to the energy transition.

Naturgy's contribution to the energy transition is based on an approach that encompasses three complementary and mutually influential realities: Climate, Nature and People, to provide a balanced response to the energy trilemma.

In addressing the energy transition, it is essential to understand the effects of climate change on biodiversity loss and the relevance of positive natural capital creation in reducing greenhouse gas emissions. However, the economic and social changes resulting from the energy transition, whether due to job losses, changes in living conditions due to the development of renewable energies or the rising cost of raw materials such as energy, mean that the solution to climate and nature issues must take people into account. This must be done in such a way that this change contributes to the creation of a shared wealth that allows for fair adaptation and does not cause greater inequalities.

The main objectives of Naturgy included in the Sustainability Plan to 2025 in ESG matters are:

		2025	2023	2020	
<b>Environment</b> <b>Zero net emissions by 2050</b>	GHG emissions reduction	27%	30%	16%	Reduction of tCO <sub>2</sub> eq (scopes 1+2+3) 1
	Biodiversity	350	353	265	Projects (#)
<b>Social Gender parity by 2030</b>	Enhancing diversity	40%	36%	27%	Women in executive and management positions. Spain
	Extending ESG policies in the supply chain	95%	84%	70%	Suppliers audited in ESG
<b>Governance</b> <b>ESG-aligned management remuneration</b>	ESG objectives as part of management incentives	20%	20%	3%	ESG-linked variable remuneration
	Climate change risk and Taxonomy reports	100%	Partial	Partial	Implementation of TCFD and EU Taxonomy

NB:

1. vs. 2017. Scopes 1+2 aligned with the 1.5°C scenario and Scope 3 aligned with the WB2D scenario.

The “Business Model” chapter of this report details the deployment of the company’s strategy.

During 2023, Naturgy has made significant progress in the implementation of this Strategic Plan, as evidenced by the following key indicators:

**Pillars of the  
2021-2025  
Strategic Plan**
**Key achievements in 2023**

<b>Growth</b>	<ul style="list-style-type: none"> <li>– Ebitda in 2023 exceeded Euros 5,475 billion mainly as a result of volatile energy prices in the period. This strong Ebitda growth of 10.5% vs 2022 was achieved by decoupling it from the carbon footprint, which was reduced it by 8.5%.</li> <li>– Naturgy is committed to investing Euros 13,200 million within the framework of its Strategic Plan 2021-2025. In 2023, investments grew by 12.0% year-on-year to Euros 2,136 million. 79% of these investments are eligible under the EU Taxonomy.</li> <li>– Net debt remained stable at Euros 12,090 million while net financial debt/Ebitda stood at 2.2 times compared to 2.4 times in 2022.</li> </ul>
<b>Focus</b>	<ul style="list-style-type: none"> <li>– Naturgy already has 6.4 GW of renewable energy capacity in operation, of which 1 GW came into operation in 2023.</li> <li>– The Vila-Sana plant, which will start injecting renewable gas into the grid in the first half of 2024, will become the company's third commercially operated facility in Spain. Located in a livestock farm, it will generate biomethane to supply the equivalent annual consumption of 3,150 homes and will prevent the emission into the atmosphere of around 2,450 tonnes of CO<sub>2</sub> per year, injecting 11.5 GWh/year into the gas distribution network.</li> <li>– The first energy output from the 7v Solar Ranch photovoltaic plant, Naturgy's first renewable energy plant in the United States, which has a peak capacity of 300 MW and will generate 560 GWh of electricity per year, took place at the end of 2023.</li> <li>– In Australia, Naturgy began operating its third wind farm (BerryBank II), increasing the company's total installed capacity to 396 MW, including 10 MW of battery storage capacity.</li> </ul>
<b>Best-in-class</b>	<ul style="list-style-type: none"> <li>– Naturgy has extended the price reduction initiative started in 2022, both in electricity and gas, to more than 2 million customers (residential and SMEs). Of these, 1.5 million have benefited from a reduction of more than 30% in the variable energy price.</li> <li>– During 2023, Naturgy has maintained its commitment to sustainability, achieving an important milestone by having more than 1,600,000 contracts with eco electricity certificates (through Guarantees of Origin mechanisms - GoO) and 480,000 contracts with eco gas certificates (through Certified Emission Reduction Certificates - CERs).</li> </ul>
<b>ESG</b>	<ul style="list-style-type: none"> <li>– 84.4% ESG audit coverage of purchase volume with high ESG risk.</li> <li>– Reduction of total greenhouse gas emissions by 30% since 2017.</li> <li>– 353 biodiversity initiatives in course on an international level, 22% of which are voluntary. Environmental restoration actions were carried out on 336 ha. 22% of this area corresponds to protected areas, habitats or species.</li> <li>– 26% of executive and management positions are filled by women.</li> <li>– An 84% coverage of ESG audits has been achieved over the purchase volume with high ESG risk.</li> </ul>
<b>Culture</b>	<ul style="list-style-type: none"> <li>– The company's Flex&amp;Lead programme aims to recruit young, diverse talent externally, with a target of 300 young people by 2025. More than 150 people have joined the programme so far, 81% of whom are women.</li> <li>– Signing of Naturgy's Equality Plan 2023-2027 and signing of the Protocol on sexual and/or gender-based harassment, with adaptation to Law 2/2023 of 20 February.</li> <li>– The global model for measuring the satisfaction and commitment of Naturgy employees has been consolidated. Through regular organisational listening, actions are taken to continuously improve the employee experience. At the end of 2023, 49% of company employees were promoters, 18 points more than in 2022.</li> </ul>

## 2. Commitment to sustainability

Naturgy, in its role as an energy company, has the capacity to make a key contribution to the sustainable development and prosperity of the communities and the people with whom it has a relationship through its services. Specifically in relation to the sustainable development agenda currently in force (2030 Agenda and the United Nations Sustainable Development Goals), Naturgy contributes directly and positively to the achievement of the following goals:



Ensure universal access to affordable, reliable and modern energy, increase the use of renewable energy and promote energy efficiency. In 2023, Naturgy increased its installed capacity in renewable energies by 17% and works actively to offer society at large and its customers in particular alternative forms of environmentally-friendly energy such as renewable gas, of which the company had a production and injection capacity of 0.30 TWh in 2023.



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 healthier cities.

In 2023, Naturgy commercialised the commissioning of more than 9,500 self-consumption photovoltaic installations in Spain, representing an installed capacity of 50.3 MW.

The solutions and measures aimed at improving the energy efficiency of Naturgy's customers have led to savings in gas and electricity consumption equivalent to 1.3 TWh.



Take urgent action to combat climate change and its effects. In 2023, Naturgy reduced its total greenhouse gas emissions by 30% compared to the base year 2017.

However, Naturgy is aware that its ability to contribute to sustainable development also lies in the way its activities are managed internally. In other words, it does not only matter what the company does, but also how it does it. Thus, for example, we understand:

- That working for the social integration of vulnerable groups helps eradicate poverty, boosts economic growth and lessens social inequalities.
- That ensuring inclusiveness in the company contributes to a more diverse and egalitarian society.
- That digitalisation of its services contributes to innovation and infrastructure development.
- That governance, risk management and compliance standards affect the social stability of the communities in which the company operates.

Therefore, Naturgy has formalised in the Corporate Responsibility Policy a set of internal commitments that emanate from its purpose as a company. Listed below are the drivers of the Sustainability Plan, their alignment with Naturgy values, the commitments of the Corporate Responsibility Policy and the main SDGs on which they will have an impact, both directly and indirectly:



Driver	Our values	SDG	Our commitments
Integrity and trust	Excellence Driven	8 10 12 16 17	Integrity and transparency Responsible supply chain
The opportunity of environmental challenges	Forward Vision	3 6 7 9 11 12 13 14 15	Responsible environmental management
	One Planet		
Customer experience	Excellence Driven	7 9 11 12 17	Service excellent
Commitment and talent	Forward Vision	3 4 5 8 9 10	Interest in people
	People Oriented		Health and safety
Innovation and new business development	Excellence Driven	7 8 9 11 12	Commitment to results
		13 15 17	Service excellent
Social responsibility	People Oriented	1 3 7 8 10	Social commitment
	Excellence Driven	11 12 17	Responsible supply chain Integrity and transparency

In 2021, Naturgy defined the Sustainability Plan in an integrated manner with the 2025 Strategic Plan. In 2023, together with the strategic review, the company revised the indicators and objectives of the Sustainability Plan. It contains six levers for action and 70 targets to improve the company’s management and performance in relation to those aspects of the environment to which it has the greatest potential to contribute (see details in next chapter).

## 03. Business model and sustainable strategy

[2-6]

Naturgy has been working for 180 years in the energy sector thanks to a business model that has been able to adopt the social, technological and economic changes that have taken place in the world. Its success in the face of environmental challenges and opportunities is the result of business management that is resilient to the different contexts of history and a transformational culture that cares about people's daily lives.

The company is aware of the global challenge posed by the fight against climate change and has therefore transformed and refocused its business towards the energy transition through a strategy based on promoting renewable energies and a sustainable business model that contributes to the social and environmental challenges facing humanity.

### 1. Organisational structure and businesses in which it operates

[2-1], [2-6], [IF-EU-000.A] and [IF-GU-000.A]

Naturgy Energy Group, S.A. was incorporated in 1843 and its registered office is at Avenida América, number 38, Madrid. In 2023, the company celebrated 180 years of history of providing solutions for the progress of society.

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

Naturgy is present in more than 24 countries, supplies gas and electricity to almost 16 million customers, reaching market shares in gas and electricity contracts in Spain of 44.3% and 14.6% respectively, with an installed capacity of more than 17.1 GW and a diversified mix of electricity generation.

It operates in the regulated and deregulated gas and electricity markets, with a significant contribution from international activity, mainly in the following areas:

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

### Business model

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

Naturgy, following the process of continuous transformation, has reorganised its businesses around two major strategic areas (Distribution Networks and Energy Markets) that provide visibility of the evolution of the businesses and on the basis of which the following operating segments are defined:

- **Distribution Networks:** groups together the business segments dedicated to the management of regulated gas and electricity distribution and transmission infrastructure:
  - **Gas Spain:** includes the regulated gas distribution business in Spain.
  - **Gas Mexico:** includes the regulated gas distribution and commercialisation business in Mexico.
  - **Gas Brazil:** includes the regulated gas distribution and commercialisation business in Brazil.
  - **Gas Argentina:** encompasses the regulated gas distribution and commercialisation business in Argentina.
  - **Gas Chile:** encompasses the gas network and commercialisation business in Chile.
  - **Electricity Spain:** includes the regulated electricity distribution business in Spain.

- **Electricity Panama:** includes the regulated electricity distribution and commercialisation business in Panama.
- **Electricity Argentina:** includes the regulated electricity distribution and commercialisation business in Argentina.

In 2022, these segments formed the Iberia Networks and Latin America Networks groupings. Within this block, there is also a holding company that carries out transversal activities directly linked to the grouping's businesses.

- **Energy Markets:** integrates the liberalised business segments with the following breakdown:
  - **Energy Management:** includes the following activities:
    - the commercialisation of liquefied natural gas as well as the maritime transport activity (LNG International until 31 December 2022).
    - management of gas supply and other gas infrastructures and commercialisation to large energy-intensive consumers (at 31 December 2022, all these activities were part of the Markets and Procurement segment).
    - the management of the Medgaz pipeline, consolidated under the equity method (Gas Pipelines until 31 December 2022).
  - **Thermal generation:**
    - **Spain:** includes the management of conventional thermal generation (that which uses fuels for heat generation and which does not have a special regime) in Spain (nuclear and combined-cycle).
    - **GPG Latin America:** includes the management of Global Power Generation's (GPG) conventional thermal generation in Mexico, the Dominican Republic and Puerto Rico, the latter integrated by the equity method through the company EcoEléctrica LP.
  - **Renewable generation:**
    - **Spain:** includes the management of the wind farm and generation projects of wind, mini-hydro, solar and co-generation<sup>1</sup> energy sources, additionally incorporating the generation of hydropower electricity located in Spain, as well as the development portfolio in the rest of Europe.
    - **GPG Latinoamérica:** includes the management of renewable electricity generation facilities and projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
    - **GPG Australia:** includes the management of the renewable electricity generation facilities projects for GPG located in Australia.
    - **United States:** includes the management of photovoltaic generation projects being developed in the United States.
  - **Renewable gases:** covers the management of renewable gas projects, specifically biomethane and green hydrogen. It also includes sustainable mobility projects. As at 31 December 2022, it was included in the Renewables and New Businesses segment.
  - **Commercialisation:** the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and services, as well as developing the full potential of the brand.

<sup>1</sup> In Naturgy's Consolidated Report at 31 December 2023 and 2022, the co-generation activity is considered as part of the Renewable Generation Spain CGU because there is a single management unit that handles the co-generation operations and assets together with the wind, mini-hydro and solar generation businesses. Likewise, the remuneration of co-generation facilities, as is the case with wind and solar facilities in Spain, is subject to Royal Decree 413/2014, of 6 June, regulating the activity of electricity production from renewable energy sources, co-generation and waste.

In 2022, these segments made up the Energy Management, Renewables and New Business and Commercialisation areas. It also includes a holding company that carries out transversal activities directly linked to the businesses of this grouping.

- **Other:** basically includes the corporation's operating expenses, as well as the rest of the activities considered in New Businesses at 31 December 2022.

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

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

## Businesses in which it operates

### Leadership in the gas business

[IF-GU-000.B] and [IF-GU-000.C]

	Networks	Gas			
	Gas distribution	Infrastructure	Procurement	Renewable gases	Commercialisation
	<b>11.1 million</b> supply connections <b>136,970 km</b> network	LNG tankers on long-term lease Medgaz gas pipeline	~ <b>21 bcm</b> supply portfolio	~ 2 MW installed biomethane production capacity in own plants	<b>248.6 TWh</b> of gas supplied
<b>Our positioning</b>	<b>Spain</b>  Leader in Spain with a <b>70%</b> market share, distributing natural gas to more than 1,200 municipalities in ten autonomous regions and <b>5.4 million</b> customers.	Seven methane tankers ( <b>1.16 Mm3</b> ).  <b>24.5%</b> stake in the Medgaz gas pipeline.	Business Model based on diversification and flexibility that have made Naturgy a global operator with a strong international profile.	<b>Biomethane:</b> capacity of 0.30 TWh installed in production and injection. Two company-owned production plants and a portfolio of 37 own projects under development for the production of biogas and upgrading to biomethane with the aim of injecting into the natural gas network.	More than 3.5 million retail and industrial customers and LNG sales in numerous countries worldwide.  A global operator with the flexibility to tap markets offering attractive margins.
	<b>Latin America</b>  Latin America's top distributor, catering for more than <b>5.7 million</b> customers. Presence in Argentina, Brazil, Chile, Mexico and in five of the largest Latin American cities of said countries.	Stake in the Ecoeléctrica regasification plant and the liquefaction plant of Qalhat.  Leased storage capacity of <b>0.8 bcm</b> .	Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).	<b>Green hydrogen:</b> Naturgy has worked on the development of large production hubs linked to just transition zones, especially in areas affected by the closure of thermal power stations.	<b>44.3%</b> market share in gas contracts in Spain.  Competitive supply to combined- cycle power stations (CCGT).
<b>Our strengths</b>	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..	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.	Naturgy has a diversified and flexible portfolio of procurement contracts, with review mechanisms in the event of price mismatches.	The coexistence and gradual replacement of natural gas with renewable gases in the group's current distribution infrastructures will enable the decarbonisation of both the networks throughout Spain and the gas consuming sectors (industry, residential and transport).	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.

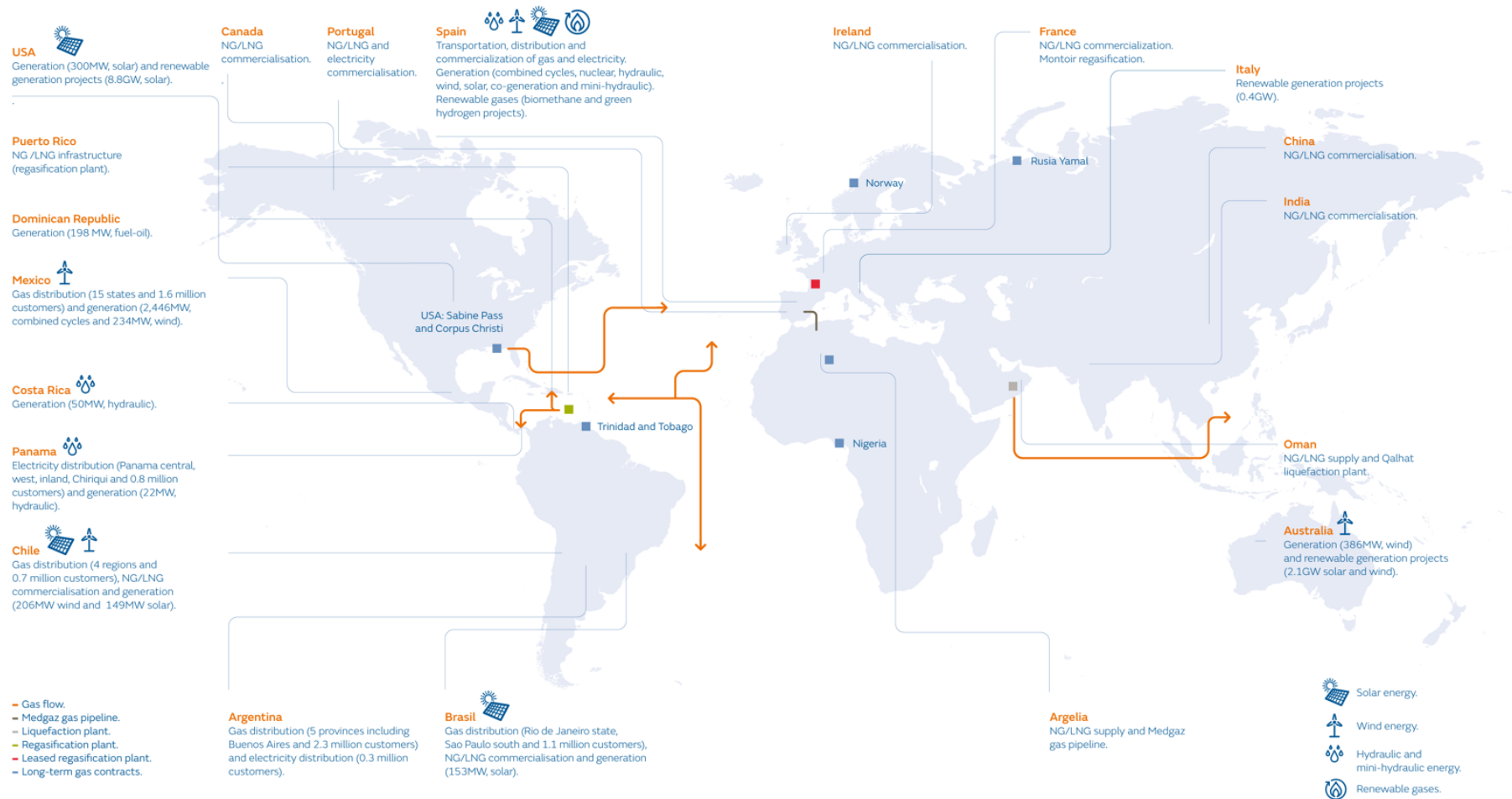
## A key player in the electricity business

[IF-EU-000.B] and [IF-EU-000.C]

	<b>Networks</b>	<b>Electricity</b>		
	<b>Electricity distribution</b>	<b>Thermal generation</b>	<b>Renewable generation</b>	<b>Commercialisation</b>
	<b>4,8</b> million supply connections <b>156,232 km</b> network	<b>10.7 GW</b> of generation capacity	<b>6,4 GW</b> of generation capacity	<b>20.6 TWh</b> of electricity commercialised
<b>Our positioning</b>	<p><b>Spain</b> The third-largest operator in the Spanish market, where it distributes electricity to <b>3.8</b> million customers.</p> <p><b>Latin America</b> Presence in Argentina and Panama with <b>1 million</b> customers.</p> <p>Naturgy is a leader in the markets where it operates.</p>	<p><b>Spain</b> Capacity of <b>8.1 GW</b> (7.4 GW combined-cycle power stations, 0.6 GW nuclear and 0.1 GW co-generation). In June 2020, coal-fired generation activity was abandoned. Naturgy's market share is <b>17.32%</b>.</p> <p><b>International</b> Capacity of <b>2.6 GW</b>: 2.4 GW combined-cycle power stations (Mexico) and 0.2 GW oil-fired (Dominican Republic).</p>	<p><b>Spain</b> Capacity of <b>4.9 GW</b> (2.1 GW hydropower, 2.4 GW wind and 0.4 GW solar). Naturgy's market share is 6.8%.</p> <p><b>International</b> Capacity of <b>1.5 GW</b>: 0.1 GW hydropower (Costa Rica and Panama), 0.8 GW wind (Mexico, Chile and Australia) and 0.6 GW solar (United States, Brazil and Chile).</p>	<p>Leader in the mainstream consumer and residential segments, with a total market share of <b>14.6%</b> 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>
	<b>Our strengths</b>	Naturgy is an efficient operator in terms of operation and maintenance costs in the electricity distribution business.	Naturgy has far-reaching knowledge in all generation technologies with 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.	Naturgy maintains a good growth positioning, mainly focused in Spain, Australia and the United States, which will allow it to take advantage of investment opportunities in generation in these geographies.

## 2. Geographical presence

[2-1], [IF-EU-000.A] and [IF-GU-000.A]



### 3. Company situation

#### Evolution and results 2022

- Overall results

<b>Net turnover</b>	Net revenues in 2023 amount to Euros 22,617 million, 33.4% lower than in 2022, mainly as a result of higher energy prices, exceptionally high in 2022 following the start of the Russia-Ukraine conflict.
<b>Ebitda performance</b>	Consolidated Ebitda for the 2023 financial year totals Euros 5,475 million, up 10.5% compared to 2022, supported by the good results of both the international regulated activities, due to the tariff update and improved operating performance, and the liberalised activities due to the international energy situation, the increase in installed renewable energy capacity and the improved management of the sales portfolio and the optimisation of its supply costs.
<b>Debt ratio</b>	Net debt remained stable at Euros 12,090 million while net financial debt/Ebitda stood at 2.2 times compared to 2.4 times at 31 December 2022.
<b>Free Cash-flow after minority interests</b>	The 2023 free cash flow after minority interests amounted to Euros 2,536 million, supported by the liberalised activities abroad. Naturgy has maintained a stable net debt position, from Euros 12,070 million at the end of 2022 to Euros 12,090 million at the end of 2023, while making investments and acquisitions in the amount of Euros 2,671 million and meeting its shareholder remuneration commitments of Euros 1,441 million.
<b>Completed transactions</b>	There have been no completed transactions in 2023 with an impact on comparability in 2023 vs 2022 results.

#### Investments

The tangible and intangible investments for 2023 totalled Euros 2,136 million, with an increase of 12.0% year-on-year.

The split of tangible and intangible investments between maintenance and growth provides useful information on the investment profile of the group.

Maintenance investments (Capex) in 2023 amounted to Euros 844 million, compared to Euros 736 million in the same period of the previous year, as a result of higher maintenance in distribution networks with an increase of 27.9% compared to 2022.

Tangible and intangible growth investments (Capex) in the period represented more than 60% of total investments and amounted to Euros 1,292 million in 2023. The main growth investments in 2023 are:

- A total amount of Euros 316 million invested in network development in Spain and Latin America, of which Euros 171 million were invested in gas and electricity in Spain, Euros 47 million in Panama, Euros 28 million in Gas Chile, Euros 35 million in Gas Mexico, Euros 16 million in gas and electricity in Argentina and Euros 19 million in Gas Brazil.
- A total of Euros 864 million invested in the construction of different renewable projects, of which Euros 264 million in Spain, Euros 286 million in GPG Australia, Euros 297 million in the United States and Euros 17 million in GPG Latin America.
- A total of Euros 111 million in commercialisation activity.

Naturgy maintains its commitment to the development of renewable generation, reaching nearly 6,4 GW of installed capacity by 31 December 2023. During the year, 1.0 GW of additional capacity came on stream, of which 575 MW in Spain, 300 MW in the United States, 109 MW at GPG Australia, including the storage battery, and 21 MW at GPG Latin America, in Chile.



In Spain, Naturgy reached an agreement with Ardian for the acquisition of 100% of ASR Wind, comprising: i) a portfolio of 12 renewable energy projects of 422 MW of regulated operational wind assets, already considered in the previous point and ii) solar PV hybridisation projects of 435 MW. The deal was completed in the third quarter of 2023.

In the coming years, Naturgy is committed to the construction of more than 24 wind farms and photovoltaic plants in Spain, equivalent to about 0.8 GW of additional renewable capacity that are expected to come on stream in the 2024-2025 period.

In the USA, Naturgy has completed the construction of its first photovoltaic plant, which came into operation in 2023. It has also started construction of the Grimes project (269 MW) in Texas, which will be its second photovoltaic installation in the country.

In Australia, Naturgy began operating its third wind farm (BerryBank II), increasing the company's total installed capacity to 386 MW, which do not include its 10 MW of battery storage capacity.

Also in Australia, Naturgy concludes the year with the start of construction of two additional photovoltaic projects (Glenellen of 260 MW in New South Wales and Bundaberg of 100 MW in Queensland) and plans to reach an operational renewable capacity of approximately 1 GW in 2024, with the entry into operation of the Ryan Corner (218 MW) wind farm in Victoria, the Hawkesdale (97 MW) wind farm in Victoria, the Crookwell III wind farm in New South Wales (58 MW) and the Cunderdin (128 MW) battery-hybrid PV plant (55 MW/220 MWh) in Western Australia.

Naturgy is also leading renewable gas development in Spain as a key pillar of decarbonisation, currently working on several green hydrogen, biomethane, storage and sustainable mobility projects, with a willingness to deploy capital and resources in this field. For further details of the projects on which Naturgy is working, see the chapter on "Innovation and new business development".

#### Key financial and operational figures

Naturgy shares closed 2023 at a price of Euros 27.00 and stock market capitalisation of Euros 26,180 million, which represents a 11.1% increase versus the previous year-end.

##### ▪ Key financial figures

	<b>2023</b>	<b>2022</b>
Net turnover (million euro)	22,617	33,965
Gross operating profit or Ebitda (million euro)	5,475	4,954
Total investments (million euro)	2,136	1,907
Net profit (million euro)	1,986	1,649
Dividend paid (million euro)	1,454	1,164
Share price as at 31 December (euros)	27.00	24.31
Earnings per share (euros)	2.07	1.72

##### ▪ Contribution to Ebitda by activity (%)

	<b>2023</b>	<b>2022</b>
Distribution networks	48.2	49.7
Energy Markets	53.9	51.6
Other	(2.0)	(1.2)

### ▪ Stock market indicators

	2023	2022
No. of shareholders (in thousands)	54	55
Share prices at 31/12 (euros)	27.00	24.31
Earnings per share (euros)	2.07	1.72
Share capital (No. of shares)	969,613,801	969,613,801
Stock market capitalisation (million euro)	26,180	23,571

### ▪ Financial ratios

	2023	2022
Debt (%) <sup>(1)</sup>	50.3	54.7
Ebitda / Cost of net financial debt	11,3x	9,9x
Net debt/Ebitda	2,2x	2,4x

<sup>(1)</sup> Net financial debt/(Net financial debt + Equity).

### ▪ Profits earned by country (million euro)

	2023	2022
Spain	791	1,502
Argentina	5	23
Brazil	115	61
Chile	82	(68)
Mexico	44	162
Panama	13	11
Rest of Latin America	58	53
Total Latin America	317	242
Rest of the world	878	(95)
<b>Total</b>	<b>1,986</b>	<b>1,649</b>

The variation in profits obtained in Spain compared to fiscal year 2022 is mainly due to the drop in results due to a lower unit margin in gas sales, affected by the worst price scenario, lower production of combined cycle thermal generation and lower remuneration in Distribution Electricity, due to the recognition in 2022 of an adjustment related to the remuneration for the years 2017-2019. In relation to the increase in profits in the Rest of the world, it is a consequence of the effect of the ineffectiveness in gas sales hedging derivatives registered in 2022.

### ▪ Main operational figures of Naturgy

[IF-EU-000.A] and [IF-GU-000.A]

	2023	2022
Gas distribution sales (GWh)	378,390	386,464
Gas distribution supply points (in thousands)	11,060	11,050
Electricity distribution supply points (in thousands)	4,868	4,827
Gas distribution network (km)	136,970	136,272
Length of electricity distribution and transportation lines (km)	156,232	155,060
Electricity generated (GWh)	43,888	47,029

Total energy production decreased significantly in 2023, mainly combined-cycle power stations due to lower energy exports to France and warmer temperatures especially in the winter period. This drop in thermal generation in Spain has been partially offset by an increase in renewable generation. The effect of warmer temperatures has also impacted gas distribution sales.

### ▪ Gas supply and transportation (%)

In relation to the Yamal (Russia) contract, the delivery programme has been maintained as established in the contract and subject to any measures that may be taken by the European authorities regarding the operations carried out by the companies with Russia. In 2023, no sanctions have been applied on this contract.

	<b>2023</b>	<b>2022</b>
Others (LNG)	7.6	6.0
Nigeria	6.8	8.8
Trinidad and Tobago	3.9	7.6
USA	30.1	29.6
Others (NG)	6.9	6.0
Algeria	18.3	17.2
Oman/Egypt/others	9.6	9.2
Norway	0.8	0.6
Russia	16.0	14.9

### ▪ Renewable gas

	<b>2023</b>	<b>2022</b>
Renewable gas production or injection capacity (TWh)	0.30	0.22

<sup>(1)</sup> The figure for 2021 has been changed from 0.14 to 0.21 to adjust it to the capacity of existing projects.

Renewable gases, including biomethane and hydrogen, are a key driver for the decarbonisation of Naturgy's gas business. More detailed information is provided in the chapters "The opportunity of environmental challenges" and "Innovation and new business development".

### ▪ Energy mix of Naturgy (%)

	<b>2023</b>	<b>2022</b>
Thermal	1.2	1.2
Hydroelectric	11.8	12.8
Wind	19.0	16.1
Nuclear	3.5	3.7
Mini-hydropower	0.6	0.7
Solar	6.0	4.2
Co-generation	0.3	0.3
Combined-cycle	57.6	61.0

▪ **Installed capacity by source of energy (MW)**

	<b>2023</b>	<b>2022</b>
Nuclear	604	604
Combined-cycle	7,427	7,427
Co-generation	51	51
<b>Thermal power. Spain</b>	<b>8,082</b>	<b>8,082</b>
Hydroelectric	1,951	1,951
Wind	2,426	1,885
Solar	428	394
Mini-hydropower	111	111
<b>Renewable power. Spain</b>	<b>4,916</b>	<b>4,341</b>
<b>Total installed capacity. Spain</b>	<b>12,998</b>	<b>12,423</b>
Fuel-oil	198	198
Combined-cycle	2,446	2,446
<b>Thermal power. International</b>	<b>2,644</b>	<b>2,644</b>
Hydropower	72	123
Wind	826	717
Solar	602	281
<b>Renewable power. International</b>	<b>1,500</b>	<b>1,121</b>
<b>Total installed capacity. International</b>	<b>4,144</b>	<b>3,765</b>
<b>Total installed capacity</b>	<b>17,142</b>	<b>16,188</b>

▪ **Net production by energy source (GWh)**

[IF-EU-000.D]

	<b>2023</b>	<b>%</b>	<b>2022</b>	<b>%</b>
Nuclear	4,512	10 %	4,454	9 %
Combined-cycle	12,092	28 %	19,801	42 %
Cogeneration	295	1 %	191	— %
<b>Thermal production. Spain</b>	<b>16,899</b>	<b>39 %</b>	<b>24,446</b>	<b>52 %</b>
Hydroelectric	3,554	8 %	1,531	3 %
Wind	4,650	11 %	4,058	9 %
Solar	652	1 %	425	1 %
Small hydro	559	1 %	447	1 %
<b>Renewable production. Spain</b>	<b>9,415</b>	<b>21 %</b>	<b>6,461</b>	<b>14 %</b>
<b>Total production. Spain</b>	<b>26,314</b>	<b>60 %</b>	<b>30,907</b>	<b>66 %</b>
Fuel-oil	722	2 %	594	1 %
Combined-cycle	13,858	32 %	12,636	27 %
<b>Thermal production. International</b>	<b>14,580</b>	<b>33 %</b>	<b>13,230</b>	<b>28 %</b>
Hydroelectric	395	1 %	613	1 %
Wind	2,026	5 %	1,733	4 %
Solar	573	1 %	546	1 %
<b>Renewable production. International</b>	<b>2,994</b>	<b>7 %</b>	<b>2,892</b>	<b>6 %</b>
<b>Total production. International</b>	<b>17,574</b>	<b>40 %</b>	<b>16,122</b>	<b>34 %</b>
<b>Total production</b>	<b>43,888</b>	<b>100 %</b>	<b>47,029</b>	<b>100 %</b>

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

	<b>2023</b>	<b>2022</b>
Australia	1,020	810
Brazil	295	278
Chile	574	561
Costa Rica	304	499
Spain	9,415	6,461
USA	1	0
Mexico	709	630
Panama	91	114
<b>Total</b>	<b>12,409</b>	<b>9,353</b>

▪ **Average efficiency by technology and regulatory system (%)**

	<b>2023</b>	<b>2022</b>
Combined-cycle (Spain)	50.3	53.6
Combined-cycle (International)	53.7	53.3
Fuel-oil (International)	40.3	40.7

▪ **Average availability factor by technology (%)**

	<b>2023</b>	<b>2022</b>
Hydroelectric (Spain)	90.4	92.7
Nuclear (Spain)	93.1	91.0
Combined-cycle (Spain)	83.2	87.7
Wind (Spain)	97.1	97.9
Solar (Spain)	99.5	99.2
Mini-hydropower (Spain)	96.1	97.3
Co-generation (Spain)	94.4	92.7
Hydropower (international)	94.2	94.7
Wind (international)	90.2	93.7
Solar (international)	97.7	97.4
Fuel-oil (international)	92.2	92.9
Combined-cycle (international)	89.5	89.7

▪ **Electrical energy losses in transport and distribution (%)**

	<b>2023</b>	<b>2022</b>
Spain	8.2	8.5
Argentina	13.0	13.2
Panama	14.9	13.6

The increase in Panama's energy losses figure is mainly due to the 8% increase in demand compared to 2022 caused by the high temperatures recorded, which led to an increase in electricity consumption, affecting technical losses and energy theft in informal settlements.

## 4. Sustainability Plan

	Target 2025	2023	2022
<b>Driver 1. Integrity and trust</b>			
Sustainable financing and/or financing compatible with energy transitions (green finance, transition bonds...) (million euro)	5,492	7,983	6,923
Meetings held with ESG investors (number)	50	17	24
ESG risk (RepRisk) <sup>(1)</sup>	BBB	BB	2.1
Cost of resolving cybersecurity incidents (direct, indirect and reputational cost) (€) / IT disbursement (%)	0.3	0.0	0.0
Cybersecurity incidents / Millions of attacks (%)	4.7	3.2	2.8
Naturgy Energy Group BitSight International Index	790	780	730
Coverage level of ESG audits over purchase volume with high ESG risk (%)	95.0	84.4	82.7
Purchase volume with acceptance of the Code of Ethics (%)	95.0	96.4	95.4
Implementation of the Social Media Management and Use Guidelines	Implanted	In progress	No
Maintain and renew ISO37001 and UNE19601 Certification (anti-bribery and criminal compliance management)	Renew	Yes	Yes
Criminal indictments for corruption-related offences (number)	0	0	0
Annual external audit of the Crime Prevention Model in accordance with article 31 bis of the Criminal Code	Favourable outcome in all subject countries	Favourable outcome in all subject countries	Favourable outcome in all subject countries
Counterparties assessed on the basis of ESG risk (number) <sup>(1)</sup>	100	100	100
Non-financial indicators with qualifications (number)	0	0	0
Publish the Tax Transparency Report	Publish the Tax Transparency Report	In progress	In progress
Degree of compliance with the new recommendations of the CNMV' Good Governance Code (%)	Absorb all modifications to the CNMV's recommendations that may arise and undertake to comply with any others that are not related to the composition of the shareholding structure and the right to proportional representation, or related to previously acquired commitments	81	81
Adaptation of ICSNFI to ESRS requirements <sup>(1)</sup>	ICSNFI adapted to ESRS	ICSNFI adapted to Law 11/2018, GRI and SASB	N/A
Adaptation of reporting to ESRS requirements <sup>(1)</sup>	SR adapted to ESRS	Requirement analysis initiated	N/A
<b>Driver 2. The opportunity of environmental challenges</b>			
Absolute GHG emissions Scope 1 and Scope 2 (million tCO <sub>2</sub> eq) <sup>(2)</sup>	11.0	12.9	15.1
Absolute GHG emissions Scope 3 (million tCO <sub>2</sub> eq) <sup>(2)</sup>	109.4	101.7	110.1
CO <sub>2</sub> intensity in electricity generation (tCO <sub>2</sub> /GWh) <sup>(2)</sup>	199	247	279

Installed capacity from renewable sources (%) <sup>(2)</sup>	48	37	34
Capacity free of emissions (%) <sup>(1)</sup>	51.1	41.0	37.5
Renewable gases (TWh) <sup>(2)</sup>	0.52	0.30	0.22
Water consumption (hm <sup>3</sup> ) <sup>(2)</sup>	14.7	17.0	18.8
Intensity of water consumption in generation (hm <sup>3</sup> /TWh) <sup>(1)</sup>	0.31	0.39	0.40
Waste produced (kt)	110	115	94
Recycled or recovered waste (%) <sup>(2)</sup>	93	95	92
Atmospheric emissions SO <sub>2</sub> (kt) <sup>(1)</sup>	0.89	0.68	0.83
Atmospheric emissions NOx (kt) <sup>(1)</sup>	8.82	8.18	8.14
Initiatives to improve biodiversity (number)	350	353	345
TNFD recommendations (3) implementation at corporate level (%) (1)	100	25	N/A
Activity with ISO 14001 environmental certification (% Ebitda) <sup>(4)</sup>	95.0	97.2	97.9
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	75	50
Eligible Capex according to European Taxonomy (%)	80	79	67
<b>Driver 3. Customer experience</b>			
Net Promoter Score (NPS) Spain commercialisation (global) (%) <sup>(2)</sup>	45.0	27.0	20.8
Net Promoter Score (NPS) Argentina BAN (global) (%) <sup>(2)</sup>	57.5	57.4	46.0
Net Promoter Score (NPS) Argentina Gasnor (global) (%) <sup>(1)</sup>	pending	64.1	N/A
Net Promoter Score (NPS) Brazil (global) (%) <sup>(2)</sup>	60.0	58.7	52.1
Net Promoter Score (NPS) Chile Metrogas (global) (%)	65.0	68.0	56.2
Net Promoter Score (NPS) Mexico (global) (%) <sup>(2)</sup>	46.0	73.0	39.4
Net Promoter Score (NPS) Panama (customer service) (%) <sup>(2)</sup>	20.0	7.0	7.4
Global satisfaction with service quality (1-10) <sup>(2)</sup>	8.5	8.0	7.6
No. of complaints registered / No. of contacts (%) <sup>(2)</sup>	4.05	4.57	4.84
Customers with online billing (%) <sup>(1)</sup>	60.0	31.2	Not available
Interaction with digital channels. Spain (%) <sup>(1)</sup>	53.0	47.6	44.2
Interaction with digital channels. Latin America (%) <sup>(1)</sup>	50	31	Not available
Installed Photovoltaic self-consumption capacity. Spain (MW) <sup>(1)(5)</sup>	308	50	17
Photovoltaic self-consumption facilities. Spain (number) <sup>(1)(5)</sup>	29,889	2,779	2,725
Energy sold with renewable GoO. Spain (GWh) <sup>(1)</sup>	11,724	10,490	9,878
Volume of offset emissions. Spain (ktCO <sub>2</sub> eq) <sup>(1)</sup>	420	444	487
<b>Driver 4. Commitment and talent</b>			
People trained out of the total number of employees included in talent transformation programmes (%)	75	81.7	83.5
Training per employee (hours)	>35,0	41.5	35.9
Women in executive and management positions. Spain (%)	40.0	36.2	33.7

Diversity of skills (out of total) (%)	2.5	1.6	1.6
Staff under 30 years of age (%)	10	6	5
Promoter employees (%)	40	49	24
Own staff lost time accidents frequency rate (OSHA criterion)	0.12	0.13	0.12
Own staff lost time accident severity rate (OSHA criterion)	6.15	5.62	5.66
Absenteeism rate due to common contingency (%)	≤3.0	1.8	2.6
<b>Driver 5. Innovation and new business development</b>			
Energy billed for mobility services (GWh)	1,377	793	933
Managed recharging points for NG-LNG vehicles (number)	19	13	13
Recharging points for electrical vehicles (number)	5,000	593	394
Customers acquired for self-consumption products (number)	2,886	3,121	2,725
Storage capacity. Spain (MWh) <sup>(1)</sup>	240	0	0
Storage power. Spain (MW) <sup>(1)</sup>	120	0	0
Signals remotely monitored / MW installed renewable technologies (number)	240	176	162
ICEIT. Spain (minutes)	36.4	30.7	35.4
Investment in innovation over Ebitda (%)	>2	1.54	1.52
Opex innovation and technological innovation Totex (million euro) <sup>(1)</sup>	249	85	75
<b>Driver 6. Social responsibility</b>			
Attendees at energy efficiency workshops in Spain (number)	7,900	4,134	3,942
Energy rehabilitations. Spain (number)	>5,000	4,435	3,625
Volunteers (number)	1,000	908	646
Collaborating social entities (number)	20	47	31
Initiatives with impact assessment (%)	100	50	33
Total social investment <sup>(6)</sup> (million euro)	>8	11	11
Purchase volume assigned to local suppliers (%)	> 85,0	89.9	80.4

<sup>(1)</sup> New targets included in 2023 in the review of the 2025 Strategic Plan.

<sup>(2)</sup> Targets reviewed in 2023 in the review of the 2025 Strategic Plan.

<sup>(3)</sup> Task force on nature-related financial disclosures (TNFD).

<sup>(4)</sup> Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

<sup>(5)</sup> Lower increase than expected due to a drop in trading volume in the domestic sector due to the increase in financing costs and a lower cost of energy

<sup>(6)</sup> Includes social investment in the local community and philanthropic investment. It is estimated that when a methodology for assessing social impact is available, these figures will vary and definitive objectives will be established.

The main changes in the indicators, as well as their evolution, are analysed throughout this report.



## 5. Sustainable finance and taxonomy

[3-3]

(ESG investment and financing)

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

Since 2012, Naturgy has been holding meetings with investors focused on assessing the Group's ESG policies. Throughout 2023, Naturgy has continued with this activity, participating in meetings and engagement processes with several investors, including Santander, BNP Paribas, Amundi and Axa IM.

Likewise, since 2017 and in line with its sustainability commitment, Naturgy has a framework for the issuance 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 2023, all the funds from the issue had 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 currently has an amount of green finance amounting to Euros 6,289 million, 79% (Euros 4,946 million) of which corresponds to loans whose cost is linked to at least one of the following indicators:

- Direct GHG emissions: three-year average reduction (MtCO<sub>2</sub>/GWh)
- CO<sub>2</sub> intensity of electricity generation: three-year average reduction (tCO<sub>2</sub>/GWh)
- Women in executive positions (%)

The adjustment in the cost of debt is linked to the level of compliance and its variation from the previous year's indicators. It should be noted that the financing linked to ESG indicators basically corresponds to credit lines that have not been drawn down.

The following table shows the evolution of ESG indicators to which these sustainable financing instruments are linked.

#### ESG indicators of sustainable financing

	2023	2022
Direct GHG emissions: three-year average reduction (MtCO <sub>2</sub> eq)	13.4	14.2
CO <sub>2</sub> intensity of electricity generation: three-year average reduction (tCO <sub>2</sub> /GWh)	263	287
Water consumption: three-year average reduction (hm <sup>3</sup> )	17.0	18.4
Women in executive positions <sup>(1)</sup> (%)	26.2	26.2

<sup>(1)</sup> The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

In addition, Naturgy has several loans granted by the European Investment Bank (EIB) amounting to Euros 894 million for projects of activities that help mitigate climate change, specifically in electricity networks and electricity generation projects with renewable technologies that are aligned with the EU Taxonomy.

### Report on the Green Bond

#### Indicators of use of funds

As at 31 December 2023, the total number of projects assigned to Green Bonds issued on 15 November 2017 was 35, representing a total investment of Euros 800 million. These assigned funds represent 100% of the total amount obtained through the issuance of Green Bonds.

Technology	Location	Name of the project	Year put into practice	Status	Green Bond Financing 2023 (€M)	% Financed with Green Bond	Avoided emissions (tCO <sub>2</sub> )	Avoided emissions financed with Green Bond (tCO <sub>2</sub> )
Photovoltaic	Spain	C.F. CARPIO DE TAJO	2019	Operation	30.06	98%	35,380	34,807
Photovoltaic	Spain	C.F. LA NAVA	2019	Operation	30.18	90%	47,200	42,549
Wind	Spain	P.E. AMPLIACION EL HIERRO	2019	Operation	38.29	85%	56,141	47,488
Wind	Spain	P.E. BALCÓN DE BALOS	2018	Operation	6.21	50%	18,836	9,367
Wind	Spain	P.E. BARASOAIN	2019	Operation	43.22	82%	46,496	38,181
Wind	Spain	P.E. DORAMÁS	2018	Operation	1.88	49%	3,766	1,829
Wind	Spain	P.E. FUERTEVENTURA II	2018	Operation	2.96	50%	4,651	2,312
Wind	Spain	P.E. LA HARÍA	2018	Operation	2.00	50%	3,843	1,917
Wind	Spain	P.E. LA VAQUERÍA	2018	Operation	1.96	50%	4,086	2,029
Wind	Spain	P.E. MERENGUE	2019	Operation	41.03	96%	57,303	55,060
Wind	Spain	P.E. MIRABEL	2020	Operation	23.80	82%	35,263	28,785
Wind	Spain	P.E. MONCIRO	2019-20	Operation	36.37	85%	62,812	53,402
Wind	Spain	P.E. MONTAÑA PERROS	2018	Operation	1.92	50%	4,519	2,245
Wind	Spain	P.E. PEÑAFORCADA - CATASOL II	2019	Operation	11.01	89%	12,509	11,152
Wind	Spain	P.E. PILETAS I	2020	Operation	10.43	49%	22,695	11,115
Wind	Spain	P.E. SAN BLAS	2019-20	Operation	34.15	89%	48,144	42,884
Wind	Spain	P.E. TESO PARDO	2019	Operation	30.52	81%	40,276	32,727
Wind	Spain	P.E. TESORILLO	2019	Operation	30.12	92%	36,913	33,893
Wind	Spain	P.E. TIRAPU	2020	Operation	16.65	79%	14,662	11,511
Wind	Spain	P.E. TRIQUIVIJATE	2018	Operation	3.46	50%	6,908	3,435
Wind	Spain	P.E. VIENTOS DEL ROQUE	2018	Operation	3.52	51%	8,866	4,510
Wind	Spain	P.E. MONTEJO DE BRICIA (AMPLIACIÓN)	2019	Operation	6.87	85%	10,390	8,873
Wind	Spain	P.E. FRÉSCANO	2019	Operation	21.74	91%	31,373	28,510
Wind	Spain	P.E. SAN AGUSTÍN	2019	Operation	27.22	84%	53,036	44,651

Wind	Spain	P.E. MONTE TOURADO - EIXE	2019	Operation	39.72	98%	62,820	61,705	
Wind	Spain	P.E. PASTORIZA - RODEIRO	2019	Operation	36.50	91%	65,603	59,527	
Wind	Spain	P.E. SERRA DO PUNAGO - VACARIZA	2019-20	Operation	28.70	85%	54,418	45,986	
Photovoltaic	Spain	C.F. PICON I	2019	Operation	33.65	94%	41,419	38,770	
Photovoltaic	Spain	C.F. PICON II	2019	Operation	31.70	91%	41,928	38,186	
Photovoltaic	Spain	C.F. PICON III	2019	Operation	30.46	91%	41,050	37,371	
Wind	Spain	P.E. TOROZOS A	2019	Operation	36.98	94%	55,528	51,937	
Wind	Spain	P.E. TOROZOS B	2019	Operation	30.32	93%	46,440	43,027	
Wind	Spain	P.E. TOROZOS C	2019	Operation	35.71	94%	56,688	53,183	
Wind	Spain	P.E. MOURIÑOS	2019	Operation	10.21	77%	16,383	12,592	
Wind	Spain	INFRAESTRU CTURAS COMUNES	2019	Operation	30.48	89%	0	0	
							<b>800.00</b>	<b>1,148,346</b>	<b>995,517</b>

Green Bond funds as reported at 31 December 2023 have been allocated in full to investments in eligible assets in accordance with the requirements of the Green Bond Framework, remaining unchanged from the projects included in the report at 31 December 2022.

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

### Environmental benefit indicators

The estimated environmental benefit of the Green Bond is expected to total 995,517 tCO<sub>2</sub>/year in emissions avoided, based on a total of approximately 807.7 MW of installed capacity financed by the green bond, with associated production of 1,817 GWh/year.

The methodology used to calculate the avoided emissions in 2023 is the United Nations' ACM0002 for Clean Development Mechanisms: "Grid-connected electricity generation from renewable sources", through calculation according to option b) of the simple-adjusted OM. This method weights the Operating Margin Emission Factor of low operating cost sources along with base load and other sources depending on the number of hours each is marginal.

### Actions in environmental and social matters

In the projects, sustainability has been considered throughout its life cycle, in partnership with the competent administrations and 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 standard, which ensures control and compliance with environmental requirements, the prevention of environmental accidents and the ongoing improvement in the reduction of the company's impacts.

## Glossary of indicators

### Indicators for use of funds

<b>Description of the financed projects</b>	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.
<b>Assigned Green Bond financing: Amount assigned (in Euros) per project and in total</b>	Sum attributable to Green Bonds invested in projects that meet the Green Bond eligibility criteria listed in the Naturgy Green Bond Framework (in euros million) at year-end.
<b>% financed with Green Bonds</b>	Percentage of project investment attributable to Green Bonds at year-end.
<b>Number of projects</b>	Number of projects with financing attributable to funds from Green Bonds at year-end.
<b>Total quantities assigned relative to total funds (%)</b>	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.
<b>Description of the use of non-invested funds</b>	Description of the management of funds obtained through the issuance of Green Bonds that have not been assigned to any project, at year-end, in accordance with the "Naturgy Green Bond Framework".
<b>Environmental benefit indicators</b>	
<b>Avoided greenhouse gas emissions (GHG)</b>	CO <sub>2</sub> emissions (tonnes of CO <sub>2</sub> /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 (Iberian 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.
<b>Energy capacity</b>	Total power (MW) corresponding to the projects expected to be financed by Green Bonds.
<b>Energy production</b>	Estimated annual electrical power generation (GWh/year) calculated by multiplying the energy capacity by the estimated average number of operating hours per year for each project expected to be financed by Green Bonds.

## EU Taxonomy Report (Regulation 2020/852)

### Introduction

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

In particular, it pursues the following environmental objectives:

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

In 2021, the European Union published the Delegated Acts on climate change mitigation and adaptation and during 2022 this regulation was amended to accommodate gas and nuclear activities. Lastly, in 2023 the Delegated Acts for the remaining environmental targets were published, as well as modifications to some technical criteria and extension of activities for climate change mitigation and adaptation targets.

The Taxonomy establishes two types of activity:

- **Eligibility:** an activity is eligible if it is one of the activities listed in the corresponding Delegated Acts.
- **Alignment:** subset of eligible activities that are not only listed but also meet the criteria of a significant positive contribution to the climate criteria, do not cause significant negative harm to the other criteria and comply with social safeguards.

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

- The disclosure of the Taxonomy has been conducted in a rigorous and consistent manner to determine the company's level of contribution to the defined environmental objectives and, at the same time, to provide shareholders and investors with security in the face of greenwashing. The technical requirements for the classification of activities were set out in the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and its amendments in Delegated Regulation (EU) 2023/2485, Delegated Regulation (EU) 2022/1214 and Delegated Regulation (EU) 2023/2486, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and complies with the minimum social safeguards.

## Scope of the report

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

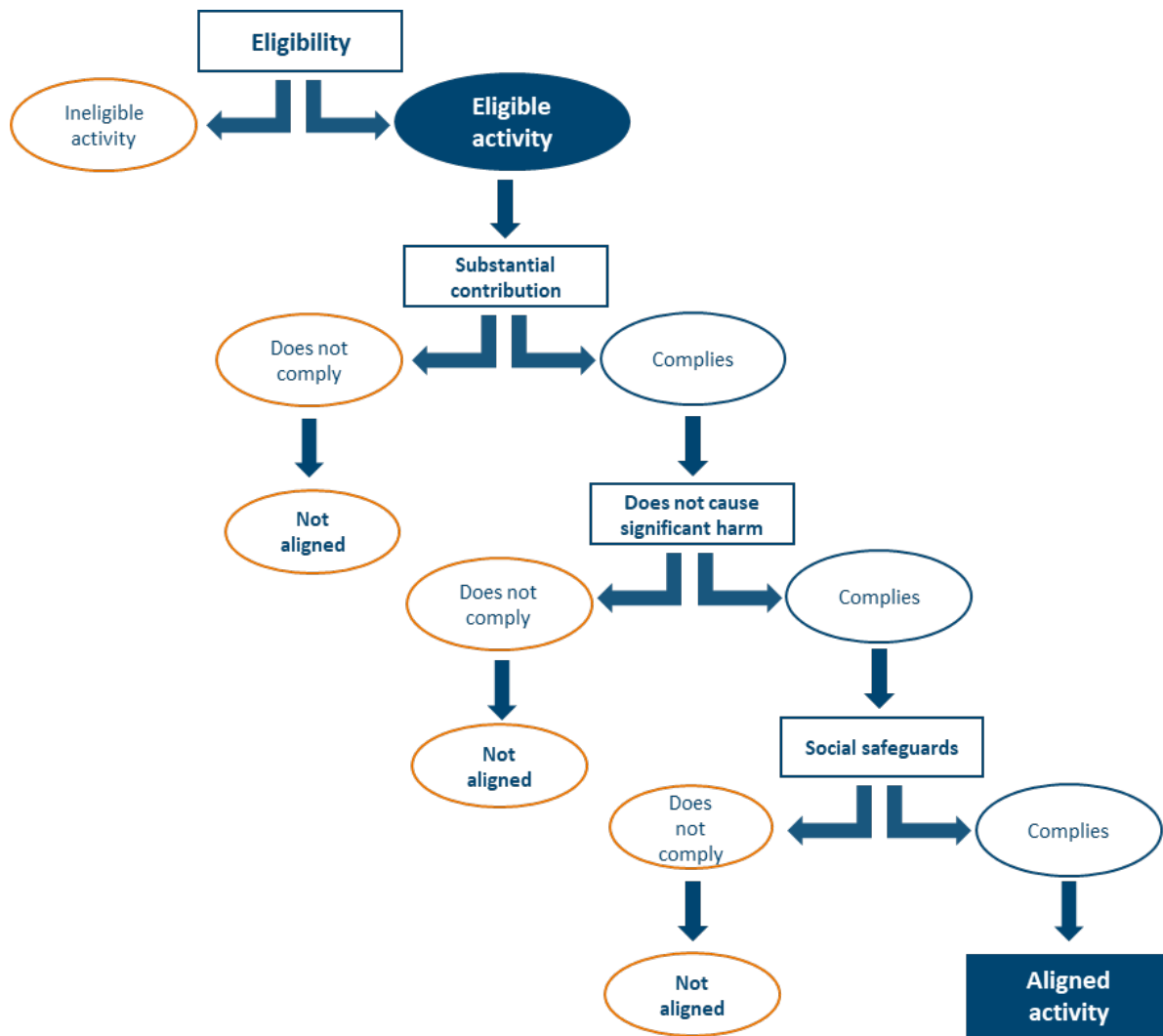
Naturgy's activities fall within the energy sector. After analysing the contribution of the company's businesses to the six climate goals set out in the Delegated Regulation, it is concluded that the objectives that are material to the reporting of taxonomic activities are the climate goals. The annexes detailing the economic sectors and activities that contribute to climate change mitigation and adaptation objectives specifically include the energy sector and the taxonomic activities carried out by Naturgy.

This is not the case for the other four environmental goals of the taxonomy (Protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems), for which the technical criteria are set out in Delegated Regulation 2023/2486. The respective annexes show that the energy sector is not specifically considered as an eligible activity for the fulfilment of any of the goals.

While none of the company's businesses are directly linked to the activities specified in the annexes related to non-climate goals, certain complementary or supporting operations carried out at the facilities, such as water treatment, waste management or environmental restoration, could be considered eligible. However, no analysis has been carried out to assess their compatibility with these goals, as they are not material to the company. As they are not business activities, they do not generate income and the turnover indicator is zero. On the other hand, the investments and operational expenditure corresponding to these complementary activities are included in the corresponding headings of the installations, without sufficient detail to allow them to be allocated to specific targets. For installations eligible for climate targets, these items have been considered in the corresponding indicators. This is not the case for complementary activities carried out in non-eligible facilities. For example, the treatment of urban wastewater for use as feedwater in several combined-cycle gas-fired power stations could be considered eligible for the circular economy transition target. However, these items are not individualised in the accounts, so it is not possible to assess the corresponding expenditure and investments as they are integrated in general items and the necessary evidence is not available.

## Analysis process

To carry out the analysis of the taxonomy, Naturgy has created a transversal work team made up of people from different units, both business and corporate areas, in accordance with the activities established in the Delegated Regulation (EU) 2020/852, establishing a methodology in accordance with the regulation and based on the following stages:



1. Eligibility

Naturgy’s business activities included in Delegated Regulations 2021/2139 and its amendments and 2023/2486, which complete Regulation 2020/852, have been analysed.

Delegated Regulation 2021/2139 and its amendments set out the technical selection criteria for the climate goals (climate change mitigation and adaptation), while Delegated Regulation 2023/2486 sets out the criteria for the other four environmental goals (Protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems). These regulations consist of annexes for each environmental objective with indices by economic sector that include the different activities that can contribute to their fulfilment.

Naturgy’s activities fall within the energy sector, specifically included in the mitigation and adaptation annexes and their modifications, which shows that climate goals are the most relevant for the company. The business lines of Naturgy and their correspondence with the eligible economic activities established in the annexes corresponding to the climate goals (mitigation and adaptation) are detailed below.

In the strategic area of Distribution Networks, we can find the following operating segments with activities that are considered within the European Union Taxonomy:

- a. Electricity Spain: includes the regulated electricity distribution business in Spain and corresponds to activity:
  - i. 4.9. Electricity transmission and distribution.

- b. Electricity Panamá: encompasses the regulated electricity distribution and commercialisation business in Panama and includes the activity:
  - i. 4.9. Electricity transmission and distribution.
- c. Electricity Argentina: encompasses the regulated electricity distribution and commercialisation business in Argentina and includes the activity:
  - i. 4.9. Electricity transmission and distribution.

Within the other strategic area, Energy Markets, are most of the activities included in the different Delegated Regulations and their corresponding amendments. Specifically, they can be found in the following operating segments:

- a. Thermal generation in Spain: which includes the conventional thermal generation plant in Spain:
  - i. 4.29. Electricity generation from fossil gaseous fuels.
- b. Thermal generation GPG Latin America: which includes the conventional thermal generation within the scope of Global Power Generation in Mexico and the Dominican Republic (Puerto Rico is integrated by the equity method):
  - i. 4.29. Electricity generation from fossil gaseous fuels.
- c. Renewable generation:
  1. Spain: includes the management of the wind farm and generation projects for wind, mini-hydro, solar and co-generation<sup>2</sup> energy sources, also incorporating the generation of hydropower electricity located in Spain. In addition, it includes the development portfolio in the rest of Europe.
    - i. 4.1. Electricity generation using solar photovoltaic technology.
    - ii. 4.3. Electricity generation from wind power.
    - iii. 4.5. Electricity generation from hydropower.
    - iv. 4.30. High-efficiency co-generation of heat/cool and power from fossil gaseous fuels.
  2. United States: includes the management of photovoltaic generation projects being developed in the United States:
    - i. 4.1. Electricity generation using solar photovoltaic technology.
  3. GPG Latinoamérica: 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):
    - i. 4.1. Electricity generation using solar photovoltaic technology.
    - ii. 4.3. Electricity generation from wind power.
    - iii. 4.5. Electricity generation from hydropower.
  4. GPG Australia: includes the management of GPG's renewable electricity generation facilities projects in Australia:
    - i. 4.1. Electricity generation using solar photovoltaic technology.
    - ii. 4.3. Electricity generation from wind power.
    - iii. 4.10. Storage of electricity.
- d. Renewable gases: covers the management of renewable gas projects, specifically biomethane and green hydrogen, as well as sustainable mobility projects. These are incipient activities and, therefore, are currently of little materiality from an economic point of view, as shown in the tables below.
  - i. 3.10. Manufacture of hydrogen.
  - ii. 5.6. Anaerobic digestion of sewage sludge.
  - iii. 5.7. Anaerobic digestion of biowaste.
  - iv. 5.10. Landfill gas capture and utilisation.
  - v. 6.15. Infrastructure enabling low-carbon road transport and public transport.
- e. Commercialisation: the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and services, as well as developing the full potential of the brand. Naturgy provides its residential and industrial customers with all the necessary services for the installation of photovoltaic panels that allow them to produce renewable energy for self-consumption, for example, through the Naturgysolar product or services necessary to have electric charging points for mobility powered by renewable energy. These projects correspond to the following activity:
  - i. 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).

<sup>2</sup> In Naturgy's Consolidated Report at 31 December 2023 and 2022, the co-generation activity is considered as part of the Renewable Generation Spain CGU because there is a single management unit that handles the co-generation operations and assets together with the wind, mini-hydro and solar generation businesses. Likewise, the remuneration of co-generation facilities, as is the case with wind and solar facilities in Spain, is subject to Royal Decree 413/2014, of 6 June, regulating the activity of electricity production from renewable energy sources, co-generation and waste.



- ii. 7.6. Installation, maintenance and repair of renewable energy technologies.

## 2. Alignment

### a. Substantial contribution to a goal

Eligible activities have been screened to confirm whether they meet the technical criteria established to validate substantial contribution to climate change mitigation and adaptation goals. The most relevant criteria used are summarised below:

#### Climate change mitigation

- a. Renewable electricity generation: For the activity of electricity generation from hydropower, the main criterion considered to validate that there is a substantial contribution to climate change mitigation is power density. The power densities have been calculated for each installation considering the net power value defined in the register of electricity production installations and the surface area of the reservoir. Most facilities met the criterion, for the rest whose power density is less than 5W/m<sup>2</sup>, specific studies have been carried out to verify compliance with the life cycle GHG emissions threshold of less than 100 g CO<sub>2</sub>e/kWh.
- b. Electricity grids: the electricity transmission and distribution activity carried out in Spain meets the eligibility criterion for climate change mitigation as it is integrated in the interconnected European system. In the case of Panama and Argentina, the criteria of emissions thresholds of newly activated generation capacity in the system and average grid emissions factor have been considered.
- c. Electricity generation in combined-cycle power stations: for the activity of electricity generation from fossil gaseous fuels, compliance with the lifecycle GHG emissions threshold has been analysed, as well as the rest of the complementary criteria in all facilities.
- d. Co-generation: for the activity of high-efficiency co-generation of heat/cool and power from fossil gaseous fuels, the GHG emission threshold criteria have been analysed in all plants, as well as the rest of the complementary criteria.

#### Climate change adaptation

The analysis to confirm that the criterion of substantial contribution is met has been based on the result of the physical climate risk assessments and the adaptation solutions and plans implemented in the facilities where the risks were material. A quantitative analysis of risks by business and type of facility has been carried out for the different assets considering various climate scenarios. In facilities where there is a material level of risk, an evaluation has been conducted on the existing measures to ensure their compliance with various criteria, which include avoiding any adverse impact on other adaptation efforts or relevant stakeholders and maintaining compatibility with established strategies and plans.

Regarding adaptation measures, it is important to highlight that the facilities are specifically designed to function effectively even under extreme weather circumstances. They have protocols in place to respond to adverse weather conditions, integrating appropriate risk control measures. These guidelines are complemented by the emergency and self-protection plans of the facilities, which are periodically updated.

As explained below, the economic indicators corresponding to the climate adaptation objective have not been reported.

### b. Do no significant harm to other goals

For activities that contribute to one of the climate goals, a thorough analysis has been carried out in order to assess the principle of Do No Significant Harm (DNSH) to other goals.

Some of the criteria used in the analysis are summarised below:

- a. Climate change mitigation: GHG emissions from activities have been analysed.
- b. Climate change adaptation: physical climate risk assessments and projected and implemented adaptation plans and solutions have been analysed for applicable activities.
- c. Sustainable use and protection of water and marine resources: we have analysed the policies, procedures, specifications, action and management plans, authorisations, environmental impact assessments, environmental monitoring and applicable regulations according to the geography in which the activities are carried out, as well as the environmental certifications audited by an independent third party that accredit adequate performance.
- d. Transition to a circular economy: policies, procedures, specifications, action plans and management of activities have been analysed, including the waste hierarchy approach and environmental certifications audited by independent third parties attesting to adequate performance.
- e. Pollution prevention and control: the policies, procedures, specifications, action plans and management of pollution-related activities, environmental monitoring and applicable regulations have been analysed, as well as the environmental certifications audited by an independent third party that accredit adequate performance.
- f. Protection and restoration of ecosystems: procedures, applicable national regulations, as well as environmental impact studies and authorisation processes have been analysed, verifying that the necessary mitigation and compensation measures are applied.

### c. Social safeguards

To analyse compliance with social safeguards, the following company policies and procedures have been considered:

- Code of Ethics, which establishes guidelines that must govern the ethical behaviour of Naturgy managers and employees in their daily work with regard to relationships and interactions with all its stakeholders. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance.
- Global Human Rights Policy has been considered, which covers the entire perimeter of activities and compliance with the regulatory framework of the different countries in which the activities are carried out. Through its 10 commitments it considers respect for fundamental rights, including labour rights and the rights of local communities affected by the company's activities.
- Corporate Responsibility Policy, which establishes Naturgy's commitments to sustainable development and to the different stakeholders, including the creation of quality employment, the strengthening of local communities and the reduction of social inequalities.
- Social Relationship Model. Within the framework of its Global Human Rights Policy, the company makes a firm commitment to respect local communities. In order to achieve this commitment, key aspects are the assessment of the social impact that the company's activities may have on the affected communities and the contribution to the improvement of their living conditions. To this end, it has a Social Relationship Model (SRM) that seeks to integrate social management as a discipline throughout the life cycle of new renewable generation projects.
- Naturgy is firmly committed to people, their development and the promotion of safe and healthy working environments. The "Commitment and Talent" chapter of this report presents a detailed analysis of the company's policies and actions in this regard.

After analysis, it is concluded that the requirements of the Delegated Act are met.

### 3. Calculation of the main indicators

#### a. Calculation of turnover %

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

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

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

For the calculation of the numerator data, the economic area teams of the different businesses have been asked to extract from the system the turnover data per facility for each of the activities. Once each installation has been analysed for the climate change mitigation and climate change adaptation goals, the amounts of those facilities that meet the technical criteria for each objective are aggregated separately.

In relation to the denominator, the Consolidation area provides the Consolidated Group data for the items mentioned in the Delegated Act.

Naturgy believes that the spirit of the Delegated Act on the EU 2020/852 Taxonomy is to provide companies with a tool for the promotion sustainable activities and investments. In this regard, as one of the benchmarks in renewable energy generation and vertically integrated energy sales, Naturgy is considered a key player in the promotion and development of sustainability and environmental protection.

Naturgy has estimated the indicators at consolidated group level in accordance with the provisions of Article 8 of the Taxonomy Regulation. However, to adequately reflect the spirit of the EU Taxonomy Regulation considering the vertical integration of its electricity activity, it has considered the need to adopt as a criterion in the preparation of the Turnover indicator the inclusion of sales of renewable electricity generated at its own facilities, which is not consumed by the company and is sold to third parties through marketers.

Based on the above, in the numerator of the turnover indicator of the table reported in this report, those sales of renewable electricity, generated and marketed “to end customers” through the Group’s commercialisation companies, whose production source is renewable, have been considered as eligible, as it is a vertically integrated activity.

In this regard, Naturgy has introduced the necessary control measures to ensure the correct application of the accounting principles of consolidation in the estimation of the indicators, in line with the indications proposed in the guidelines for interpretation and implementation of the Frequently Asked Questions (FAQs) published by the EU Commission Delegated Regulation (02/02/22 and 19/12/22) and the ESMA (26/02/21). Specifically in the case of the turnover indicator, i) the calculation has been made only with sales to third parties outside Naturgy (considering the premise of vertical integration discussed above); ii) it has avoided double counting of revenues in its estimate, iii) and has ensured that the analysis is based on Naturgy’s consolidated revenue data without the inclusion of internal consumption or other additional ineligible services.

Accordingly, the total reported sales are detailed in Note 3 Segment Reporting in the Notes to the 2023 Consolidated Annual Accounts.

## b. Calculation of Capex %

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

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

IAS 16 Property, plant and equipment, paragraph 73 (e) (i) and (iii);  
 IAS 40 Investment Property, paragraph 76 (a) and (b) (for the fair value model);  
 IAS 40 Investment Property, paragraph 79, (d), (i) and (ii), (for the cost model);  
 IAS 41 Agriculture, paragraph 50 (b) and (e);  
 IFRS 16 Leases, paragraph 53, (h).

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

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

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

- is related to assets or processes that are associated with economic activities that align with the taxonomy;
- is part of a plan to expand the economic activities that align with the taxonomy or to allow economic activities eligible under the taxonomy to conform to the taxonomy (“Capex plan”);
- is related to the purchase of production from economic activities that align with the taxonomy and individual measures that enable the targeted activities to become low-carbon or lead to greenhouse gas reductions, in particular the activities listed in sections 7.3 to 7.6 of Annex I of the delegated act on climate, as well as other economic activities listed in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within eighteen months.

In the case of Naturgy, the denominator will be the total Capex, which includes investments in intangible assets, investments in property, plant and equipment, investments in rights-of-use assets, assets transferred without consideration and those additions to tangible and intangible assets resulting from business combinations. In relation to the numerator, it will only be the aggregation of the Capex and additions of assets resulting from business combinations of the activities considered as taxonomically eligible.

In order to obtain the amount of Capex in the numerator, the economic area teams of the different businesses were asked to extract the Capex data from the system for each facility in each of the activities. Similarly, the amount to be included for asset additions resulting from business combinations has been requested.

In relation to the denominator, the Consolidation area provides the Consolidated Group data for the items mentioned in the Delegated Act.

### c. Calculation of Opex %

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

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

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

- is related to assets or processes associated with economic activities that align with the taxonomy, including training and other human resource adaptation needs, and direct non-capitalised costs representing research and development;
- is part of the Capex plan to expand the economic activities that align with the taxonomy or to allow taxonomy-eligible economic activities to conform to the taxonomy within a predefined time frame, (18 months);
- is related to the purchase of production from economic activities that align with the taxonomy and individual measures that enable the targeted activities to become low-carbon or lead to greenhouse gas reductions, as well as individual building renovation measures, as identified in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within eighteen months.

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

In order to obtain the amount of Opex in the numerator, the economic area teams of the different businesses were asked to extract the Opex data from the system (only the accounts mentioned above) for each facility for each of the activities. This extraction has been carried out on the basis of the consolidated view of the accounts.

In relation to the denominator, the Consolidation area provides the Consolidated Group data for the items mentioned in the Delegated Act.

### d. Criteria considered in the calculations

In order to avoid double counting, all system extractions are made with the consolidated information of the corresponding items,.

The economic indicators for the climate adaptation objective have not been reported because the investments made to reduce exposure to climate-related physical risks (Capex) were made in previous years, as they were defined in most cases at the design stage. In relation to Opex, the items corresponding to the operation of these measures are integrated into the maintenance items of the facilities, without there being sufficient granularity to provide individualised data with the necessary rigour. In any case, their contribution to the taxonomy is taken into account, since all eligible and aligned activities for the climate adaptation objective are also eligible for the climate change mitigation objective and the corresponding economic indicators are reported in this objective.

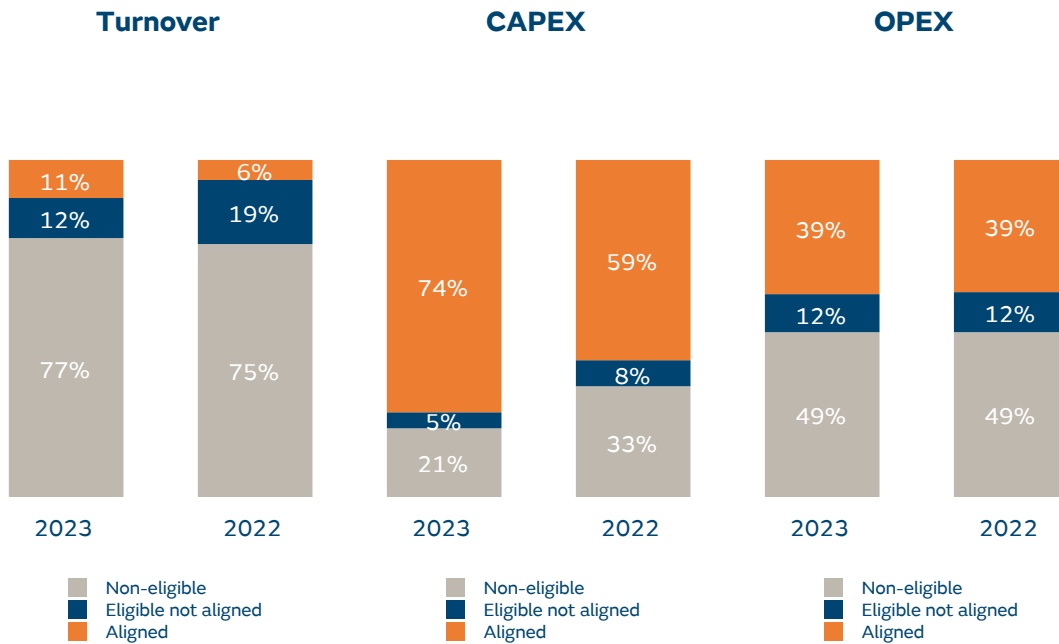
In relation to activity 4.10. Storage of electricity, it must be considered that it is a storage system linked to the Berrybank wind farm located in Australia. As they are managed jointly, it was not possible to obtain sufficient granularity to differentiate the specific economic indicators of this plant. They are included in the indicators for the wind farm given in activity 4.3 Generation of electricity from wind power.

## Results

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

The turnover indicator shows 23% eligibility, the Opex indicator rises to 51% eligibility and the Capex indicator reaches 79% eligibility. The result obtained for Capex demonstrates the solvency of a sustainable business model and the creation of long-term value in favour of the planet and people.

Compared to last year, the percentage of Capex eligibility increased by 12%, due to the greater investment effort in renewables and considering the acquisition of ASR Wind's assets in 2023. Turnover and Opex remained stable at around 23% and 51% respectively. In terms of alignment, we observe an improvement in Turnover and Capex (5% and 15% respectively), while Opex remained stable.



In the “Annexes” chapter, reporting tables are included as required by the Taxonomy Delegated Act, as well as those templates required by Delegated Regulation 2022/1214 covering nuclear and gas activities. In them, we can see that after analysis of the environmental criteria, twelve of the fourteen eligible activities are 100% aligned with the EU Taxonomy (substantial contribution, do no significant harm to the other environmental objectives and compliance with the minimum safeguards). The exemptions are electricity generation from nuclear energy in existing installations and electricity generation high-efficiency co-generation of heat/cool and power from fossil gaseous fuels, all of which do not meet the substantial contribution criteria of Delegated Act (EU) 2022/1214 due to the required level of emissions per energy unit produced and because no technological improvements able to reduce said ratio are foreseen.

## 04. Stakeholders of Naturgy

[2-25] and [2-29]

### Naturgy's contribution to the SDG



In recent years, the regulator has focused attention on the need to openly incorporate stakeholder concerns into decision-making. Accordingly, both at European and national level, in the private sector, it has defined multiple recommendations and requirements for the governing bodies of companies, and especially their boards of directors, to take into account the opinion of all stakeholders when determining corporate strategy and supervising their operation, especially in relation to material issues that affect sustainability.

As part of its sustainability management, Naturgy has been systematically including the vision of stakeholders in its decision-making, by establishing two-way relationship and dissemination channels. Creating relationships of trust based on transparency and the creation of shared value is key to the development of competitive advantages for Naturgy and to contributing to the development of the communities in which it operates. Stakeholder relationship management is therefore both a source of opportunities and a trigger of risks for the company.

Accordingly, for the preparation of this Sustainability Report and Statement of Non-Financial Information, Naturgy has taken into account the expectations of its stakeholders and has integrated the results of their participation into its materiality analysis, as stated in chapter "About this report".

### Highlights of the year

- Participation in the annual meeting of the World Economic Forum as a member of the Alliance of CEO Climate Leaders.
- Participation in the 28th Conference of the Parties on Climate Change (COP28) held in Dubai (United Arab Emirates).
- Naturgy continues to be the reputational leader in its sector, with a value of 62 points (out of a scale of 100), according to the RepTrak Pulse index.
- Ecovadis, a global provider of corporate sustainability ratings, awarded Naturgy the gold medal for its performance in environmental, social and governance issues.

# 1. Relationship management

## Governance

Stakeholder management is functionally dependent on Naturgy's Sustainability, Reputation and Institutional Relations Department, reporting directly to the company's chief executive. The functioning of these relationship and disclosure channels, and the results of the consultations and comments received from stakeholders are regularly reported to the Sustainability Committee and the Board of Directors.

During 2023, Naturgy's Directors have been informed about aspects such as employee and customer satisfaction levels, indicators of the level of attraction and commitment of employees, the perception of stakeholders in social and professional networks, consultations and communications received through corporate channels (especially the Code of Ethics), the results of the dialogue processes with shareholders and investors, or the results of the relationship processes with local stakeholders at project level, as well as the other indicators included in this chapter. This means that the Board of Directors has been able to ensure that the opinion of stakeholders is adequately reflected in Naturgy's commitments, strategies and management systems.

## Management framework

Naturgy aspires to build trusting, stable, solid and mutually beneficial relationships with its stakeholders, engaging them and also allowing the company to address the impacts and risks that its activity poses to them. This commitment is embodied in the Corporate Responsibility Policy, which establishes for the entire Group the common framework for action that guides the company's socially responsible behaviour and includes the company's commitments to its different stakeholders and assumes the obligation to establish channels of dialogue.

Periodically, Naturgy reviews the identification and prioritisation of the company's main stakeholders. As a result of this exercise, Naturgy has currently defined the following priority stakeholders, for whom it develops different relationship activities through communication and dissemination channels adapted to their characteristics and needs.

- Shareholders and investors.
- Communities affected.
- Customers and related groups.
- Employees.
- Suppliers.
- Society.
- Associative entities.
- Business partners.
- Analysts.
- Market agents.
- Public administration.
- Regulatory bodies.
- Financing groups.
- Insurance and reinsurance agencies.



## 2. Stakeholder dialogue actions

### Dialogue with shareholders and investors

Naturgy has several of its own communication channels to offer the best service to all its stakeholders. Shareholders have at their disposal the corporate website with all the specialised financial information and also the shareholder office, which is the meeting and service point for non-controlling interests.

For its part, Naturgy continues to make available to analysts and investors the economic, financial and sustainability information that allows them to monitor the Group's business project. Along this line, during 2023 representatives of the company's management team and the Rating and Capital Market Department held 153 meetings with analysts and institutional investors. Despite the necessary caution in communicating with the markets following the launch of the Gemini project in February 2022, the number of interactions with analysts and investors in 2023 was slightly higher than in the previous year, as shown in the table below:

#### ▪ Communication channel indicators

	<b>2023</b>	<b>2022</b>
Meetings with shareholders and analysts	153	140

It should be noted that, since 2012, Naturgy has been holding meetings with investors focused on assessing the Group's ESG policies. Throughout 2023, Naturgy has continued with this activity, participating in meetings and engagement processes with several investors, including Santander, BNP Paribas, PGGM, Amundi and Axa IM.

### Dialogue with affected communities

Within the framework of its Human Rights Policy, the company makes a firm commitment to respect local communities. In order to achieve this commitment, key aspects are the assessment of the social impact that the company's activities may have on the affected communities and the contribution to the improvement of their living conditions.

To this end, the company has a Social Relationship Model (SRM) that seeks to integrate social management as a discipline throughout the life cycle of generation projects. The SRM is based on four fundamental operating principles:

- We are one with the territory: we recognise, respect and protect local values and idiosyncrasy.
- We communicate as equals: we encourage early and transparent communication and open channels of active listening and easy access, as a first step towards empowering communities.
- We generate shared value: together with the community, we promote actions that improve the quality of life in our environment.
- We offer opportunities: we are a driving force for development in the territory, and a driver for supporting local employment and training in the sector.

This model has the following characteristics and modes of operation:

- It is an iterative process that relies on the application of methodological tools focused on communication, dialogue, active listening and rootedness in the territory.
- Its aim is to create shared value and manage social contestation appropriately.
- It establishes basic mandatory minimums for all projects.
- It can be extrapolated to every geography and project.
- It must be applied continuously in all phases of a project (opportunity/development/construction/operation/change or cessation of activity).
- It must have a Social Relations Plan with social impact actions/measures and allocated personnel and financial resources.

Implementation at local and/or regional level takes place through the following stages:

- Determination of the area of influence and social impact: analysis of the social impacts that the activity may have on the communities.
- Stakeholder mapping and classification: identifying communities affected by the company's activity, and finding out their needs and aspirations.
- Analysis of social risks and opportunities to support the design of shared value propositions that can be included in business planning.
- Social Relations Plan (SRP): design and implementation of actions with a positive social impact, based on the opportunities identified in the dialogue with the communities.
- Social impact assessment of the SRP: monitoring, impact measurement, reporting and improvement.

During 2023, work has been carried out on the implementation of the SRM in several territories in Spain, specifically in the Canary Islands, Andalusia, Extremadura, Castilla La Mancha, Castilla y León and Galicia, and the model has continued to be implemented in the rest of the countries where the company has generation projects under development.

The actions carried out have been focused on education and awareness-raising among different audiences, the promotion of training actions to boost local employment, and the adoption of agreements and alliances with various local groups.

All the initiatives undertaken are detailed in the section on Community Relations in chapter "Social responsibility" of this report.

## Dialogue with customers and related groups

<b>Consultation actions</b>	<b>Frequency</b>
Development of focus groups with customers to collect opinions and opportunities for improvement	Ongoing
Panel on customer satisfaction with service in the energy sector	Monthly
Brand valuation tracking in the energy sector	Monthly
Customer service quality surveys after contact with the company	Ongoing
Surveys of reasons for abandonment (of energy and services)	Ongoing
Concept, price and product testing between customers in different markets	Occasional
Co-creation with specialists and consumers	Occasional
Active participation in forums related to energy vulnerability	Ongoing
Meetings with installer associations	Periodic
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	Occasional
Development of focus groups - dynamics with contact centre agents / coordinators and back offices to gather feedback on main reasons for customer contact, management and process / operational pain points, and opportunities for improvement	Ongoing
Dynamics of listening to internal customer contacts (voice, mail, digital) to identify opportunities for improvement in processes, operations, training, etc.	Ongoing
<b>Informative actions</b>	
Regular meetings with public administrations (social services, energy poverty committees, etc.) and working groups with the administration	Ongoing
Regular meetings with officials and consumer protection agencies	Ongoing
Webinars with installers and associations to publicise the new services and features available on the website	Occasional
Sending of informative contents about the new functionalities and services offered on the website, as well as advice and news of interest	Periodic
Sending communications about the registration and contracting processes to improve the new customer's joining experience	Occasional
Sending informative content about agreements with third party companies that offer advantages and benefits to customers	Occasional
Media campaigns to publicise energy offers and energy efficiency	Occasional

## Dialogue with employees

<b>Consultation actions</b>	<b>Frequency</b>
Meetings with Executives	Periodic
Virtual meetings between teams	Ongoing
Measuring NPS promoter employees	Quarterly
Work environment survey	Monthly
Employee Satisfaction Survey (Happiness Index)	Daily
Incident and occupational accident reporting	Periodic
<b>Informative actions</b>	
Information in corporate communication channels	Ongoing
Direct informative e-mail to each employee	Periodic
Specific space on the Strategic Plan 21-25	Periodic

## Dialogue with suppliers

Consultation actions	Frequency
Channel for complaints and queries on the Supplier Code of Ethics	Ongoing
Audits of ESG and audits on the approval of activities	Periodic
Development of action plans derived from performance assessments	Periodic
Relationship with strategic suppliers in order to strengthen partnerships	Ongoing
Survey on Naturgy's image and reputation (Brazil)	Occasional
Informative actions	
Supplier portal and supplier channel	Ongoing
Specific communication on new requirements for carbon footprint measurement at suppliers	Occasional
Communication and webinar for suppliers invited to participate in CDP Supply Chain	Occasional
Supplier development through Extended Academy training delivery	Ongoing
Training for SME suppliers through the promotion of the sustainable supplier training programme led by the Spanish Global Compact Network	Periodic
Communication on Business Courtesies Policy (Brazil)	Ongoing

## Dialogue with society

Informative actions	Frequency
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	Periodic
Foundation publications on various subjects	Ongoing
Participation in forums and round tables related to the energy sector in general and ESG issues in particular, both in business and academic environments	Ongoing
Participation as a leading company in the Social Impact, Climate Change, Circular Economy and Biodiversity clusters, all spearheaded by Forética. Forums aimed at integrating ESG aspects into corporate sustainability strategies	Ongoing
Ojo al vatio (Keep an eye on the wattage) campaign, which aims to promote habits among citizens to reduce energy consumption, raise awareness of the importance of saving energy, and make key concepts linked to the field of energy more accessible and intelligible. In order to achieve the maximum dissemination and impact of these messages in society, the campaign has been broadcast on major media: television, radio, outdoor and digital. In addition, an alliance has been created with Mediaset España to raise awareness among the audience about energy saving with sections in the company's own production programmes with tips and key data on responsible consumption.	Occasional

## Environmental communication and awareness: dialogue with stakeholders

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.

The activities developed in 2023 included the following:

- Participation in collaborative initiatives to improve the environment, including:
  - Industry, Energy and Environment Commission of the Confederation of Employers and Industries of Spain (CEOE).
  - CEOE Corporate Social Responsibility Committee.
  - Communication and Sustainability Commission of the Spanish Chamber of Commerce.
  - Circular Economy Commission of the Spanish Chamber of Commerce.
  - Forética's Business Council for Sustainable Development.
  - Forética's Climate Change, Circular Economy, and Biodiversity clusters.
- Inclusion in pacts and initiatives for the environment:
  - Pact for Biodiversity and Natural Capital, within the framework of the Spanish Business and Biodiversity Initiative (IEEB), promoted by the Biodiversity Foundation of the Spanish Ministry for Ecological Transition and the Demographic Challenge.

- Pact for a Circular Economy of the Ministry for the Ecological Transition and the Demographic Challenge of Spain.
- Participation in congresses, round tables and media publications disseminating experiences and knowledge in the fields of climate change, energy transition, just transition, the circular economy and biodiversity. It is worth highlighting the participation in the COP28 in different debates and round tables.
- Outreach actions in the academic world, participating in various training activities and showing our facilities to students in higher education programmes.
- Organisation of webinars for internal and external dissemination on environmental issues.
- Customers can access information to encourage energy saving and efficiency measures on the website.

As a cross-cutting measure, a specific working group, in which all businesses and countries 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.

The Naturgy Foundation has also carried out numerous initiatives to disseminate, train, inform and raise awareness in society on energy and environmental issues. For example, we collaborate with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives, as well as in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital.

It should be noted that, to ensure effective communication with external stakeholders, a number of formal grievance mechanisms are in place within the company. There is great value in receiving environmental complaints in an orderly way, as it provides an opportunity to improve environmental management. During 2023, there were 1,309 complaints or claims in environmental matters, of which 1,180 were resolved during the year with no relevant required actions, the rest being in the process of resolution.

### 3. Presence in trade associations

[2-28]

The enormous challenge of the energy transition cannot be tackled unilaterally; involving other players, such as business associations, is a relevant element in achieving the company's targets.

Under this premise, Naturgy prioritises participation in initiatives that support the company's values and purpose in general, and that defend positions consistent with the Paris Agreement in particular.

The company participates in entities and initiatives of different nature, whether industrial or sectoral associations, business associations not exclusive to the energy sector, associations focused on sustainability and environmental issues, chambers of commerce, think tanks, professional associations focused on technical aspects, and foundations and associations that promote culture and knowledge.

Since 2019, Naturgy has had an Institutional Relations policy which, among other matters, regulates its presence in these kind of entities and associations.

At the end of 2023 Naturgy was involved in more than 216 major partnerships in 13 countries, with an investment of Euros 2,852,881 per year. It is also worth mentioning that Naturgy makes no political contributions in coherence with the provisions of action principle 9 of the Group's Code of Ethics.

Given the volume of partnerships and the company's firm commitment to being a key player in the energy transition and working to contribute to promoting a circular and decarbonised economy model, and in line with the objectives of the Paris Agreement, Naturgy assesses the degree of alignment with this positioning of the associations in which it participates.

Of the total number of partnerships, Naturgy has excluded from this analysis those which, due to the nature of the activity carried out (for example, those entities of a technical nature not related to activities with an impact on the climate), have not been considered to have a relevant position in relation to climate change.

Under this premise, priority has been given to entities linked to the energy and business sector; directly involved in positioning activities and public influence and with a global, European or national scope of action, excluding those at a local level.

After applying these criteria, 20 partnerships have been identified for which the positions and degree of alignment in relation to climate change and the Paris Agreement have been analysed. These entities are the following:

- International scope: Groupe International des Importateurs du Gas Naturel Liquéfié (GIIGNL) and International Gas Union (IGU).
- European scope: Eurogas, European Biogas Association (EBA) and Gas Distributors for Sustainability (GD4S)
- Argentina: Instituto Argentino del Petróleo y el Gas (IAGP).
- Brazil: Instituto Brasileiro de Petróleo, Gás e Biocombustíveis (IBP).
- Spain: Sedigas-Asociación Española del Gas, Asociación Empresarial Eólica, Unión Española Fotovoltaica (UNEF), Asociación Española de Gas Natural para la Movilidad (GASNAM), Asociación Empresarial para el Desarrollo del Vehículo Eléctrico (AEDIVE), Sociedad Nuclear Española, Cámara de Comercio de España, Confederación Española de Empresarios (CEOE), Círculo de Empresarios, Asociación Española del hidrógeno and Asociación Española de baterías y de almacenamiento energético.
- Mexico: Asociación Mexicana de Energía Eólica and Asociación Mexicana de Energía Solar.

#### Assessment of the degree of alignment with the Paris Agreement

The assessment of the degree of alignment of the 20 priority partnerships with regard to climate change positioning has been carried out internally, taking as a reference, among others, the requirements of sustainability indices and analysts, the best practices of other companies in the sector and the assessment carried out by the organisation InfluenceMap.

To carry out the assessment, the team has qualitatively analysed the public information available on the associations' websites. The objective has been to identify in the statements and public documents of the entities, coherent and aligned references to Naturgy's commitments in relation to climate change and the Paris Agreement. After a preliminary assessment, the findings were discussed internally; adjustments were made as necessary in each case.

The criteria used to assess the degree of alignment were mainly the following:

- Explicit commitment to the objectives of the Paris Agreement.
- Support for EU climate policy.
- The role of natural gas as a transition energy.
- Support for renewable energies and gases.
- Specific mentions on other issues such as climate neutrality, carbon pricing, etc.
- Overall assessment of the construction and coherence of the public discourse around the above elements.

To facilitate the assessment, a qualitative scale has been established according to the following criteria:

- Category A: the entity formalises and/or demonstrates alignment through its own statements or through membership of other entities that do have a clear commitment.
- Category B: no clear formalisation, but evidence of support and/or commitment is identified.
- Category C: little mention of specific climate change issues, although they show general support for initiatives such as the 2030 agenda and SDGs.
- Category D: position contrary to and not aligned with that of Naturgy.

The task force has considered that, although some national-level entities do not have specific public statements regarding their climate positions, these associations are active members of their European or international counterparts that do have clear and transparent positions in this regard, and are therefore considered to be fully aligned entities.

The result of the analysis determined the following:

<b>Category A</b> 15 associations	<b>Category B</b> 2 associations	<b>Category C</b> 3 associations	<b>Category D</b> 0 associations
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The analysis carried out allows us to conclude that the priority partnerships for Naturgy are, for the most part, fully aligned with the company's positions in relation to climate change and energy transition.

No entity has been identified with positions contrary to Naturgy's principles.

Of the 20 entities analysed, 15 of them are considered to be fully aligned with Naturgy's commitments in relation to climate change and the Paris Agreement.

In two of the cases, a lower level of alignment is identified, which is mainly explained by a lack of clear formalisation, i.e. elements are identified within the public information that suggest that there is consistency with Naturgy's principles, but no evidence is identified in the form of documents, policies, positions, etc., where the position on the issues analysed is clearly stated.

In three other cases, explicit positions and statements of support for the 2030 agenda and the achievement of the Sustainable Development Goals are identified, although they do not go into depth or detail with regard to the climate issue. In these cases, there is a formal commitment, albeit not the formal commitment that has been the focus of this analysis. Therefore, these associations are classified in the third group.

For the associations assessed in group A, Naturgy:

- Will continue to participate in these associations and maintain membership.
- Will work with these entities on climate-related policies that support the goals of the Paris Agreement and will even reinforce its engagement with these partnerships to further strengthen their impact.
- Will continue to assess their alignment with Naturgy's climate positions.

For the associations assessed in groups B and C, Naturgy:

- Will continue to participate in these associations and maintain membership.
- Will work with these entities to strengthen their commitments and make them more explicit and formalised.
- Will continue to assess their alignment with Naturgy's climate positions and the progress made in publicly communicating their positions.

For the associations assessed in group D, Naturgy:

- Will work with these entities to change their positions and have explicit and formalised commitments aligned with the Paris Agreement.
- Will continue to assess their alignment with Naturgy's climate positions and the progress made in publicly communicating their positions.
- Will revoke the membership of these entities if they have not changed their position in the medium term.

The company understands this exercise as a continuous work to be deepened. This is why, based on the conclusions of this exercise, Naturgy proposes:

- To deepen the assessment methodology and analyse the appropriateness of combining the assessment of public information with the collection of information directly from the entities.
- To reinforce the due diligence process of the company's counterparties, incorporating tools that allow us to know the positions in this area of the new entities in which Naturgy wants to participate.
- To influence those entities that demonstrate a lower level of formalisation, so that they improve public information and thus ensure full alignment with Naturgy's commitments.

The analysis and conclusions described above are based on an assessment of the information published on the websites of the associations mentioned above.



## 4. Reputation and perception

Reputation is an indicator that Naturgy has incorporated into its process of measuring society's perception of the company's activity in general. The indicator comprises four concepts which are: esteem, admiration, good impression and trust (Reprtrak Pulse Model).

In this regard, Naturgy continues to be the reputational leader in its sector, with a value of 62 points in the last quarter of 2023 (on a scale of 100). This result places it above the other energy companies in Spain. At a rational level, Naturgy maintains important advantages over its competitors in the categories of Offer and Conduct, driven by the satisfaction of needs, ethical behaviour and transparency.

Likewise, the Naturgy brand has achieved in 2023, according to studies carried out by GFK, its best results in both suggested (86%) and spontaneous (49%) awareness and in top mind (13%). With this, Naturgy is consolidated as the third energy brand in the minds of consumers in all indicators, and is the brand that has grown the most comparing the last quarters of the year 2022 and 2023. Naturgy stands out for its commercial offer and customer service and for promoting renewable energies.

With regard to brand value, in the latest study of the most valuable Spanish brands by BrandZ published in January 2024, Naturgy is in 7th position, with a brand value of US Dollars 4,762 million, growing by 2% compared to its value in the 2023 report.

Naturgy's presence on social networks. improved in all its key indicators and grew by 33% in the number of followers of its official profiles, accumulating a total of 410,000 fans. And, specifically in Tik Tok, Naturgy is the second energy brand with the highest number of followers.

## 5. Indices and acknowledgements

### Presence in sustainability indices

Various analysts and rating agencies regularly assess Naturgy’s performance in environmental, social and good governance matters.

The result of these assessments places the company in the following benchmark positions:

- FTSE4GOOD Index, a member since its inception in 2001.
- S&P Global, places the company among the top 10% in the ‘Sustainability Yearbook 2024’ based on the agency’s 2023 sustainability assessment.
- CDP, Naturgy has been recognised in global leadership positions (A-) for its action on climate change and water management.
- The MSCI ESG Ratings, gives it the highest rating (AAA)<sup>3</sup>.
- Sustainalytics, in which it was given a medium risk profile compared to the 706 utilities assessed.
- ISS ESG, in which it remains in the top 10% of companies in the sector.
- Moody’s ESG solution gives a score of 60 out of a maximum of 100, which places Naturgy in an advanced performance category.
- Euronext Vigeo, where Naturgy is part of the Euro 120 variant.
- Ecovadis, a global provider of corporate sustainability ratings, awarded Naturgy the gold medal for its performance in environmental, social and governance issues.

The presence of Naturgy on these sustainability indices, as well as the analysts’ and rating agencies positive assessment endorses 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.



<sup>3</sup> In 2024, Naturgy has been removed as a constituent from various MSCI indices. The exclusion is based on Naturgy’s free float market value, which fallen below the minimum thresholds for MSCI inclusion criteria.

## Acknowledgements

In 2023, Naturgy's work and team were recognised with various awards and accolades:

- Francisco Reynés received recognition for his professional career at the Tu Economía awards, granted by La Razón.
- Jordi García Tabernero, head of Sustainability, Reputation and Institutional Relations was recognised with the Forbes Best Dircom 2023 Award.
- Award for the company with the best external PR communication.
- The 'One Click to the Sun' campaign was recognised with six awards at the OOH Lovers Awards, organised by the Association of Communication Companies.
- Naturgy's customer service was recognised for the second consecutive year with the award for Best Energy Experience at the Platinum Contact Center Awards.
- Naturgy was awarded the Top Wellbeing Company certificate in recognition of its health and well-being strategy, programmes and indices.
- Nedgia, the group's gas distributor in Spain, was honoured at the XIV Edition of the Cegos Awards with Equipos&Talento for Best Practices, for its refocusing of the Visible Commitment to Health and Safety in the category 'Strategy and Transformation'.
- The Flex&Lead programme was recognised as the 'Best talent initiative in the energy sector' at the 2nd edition of the El Periódico de la Energía Awards.
- At the 2023 edition of the Intrama Awards, the 'Wellbeing Leadership' healthy leadership programme, driven by the Corporate University and the company's Health and Prevention team, won first place in the Top Wellbeing Business Plan category.
- Naturgy's drive for innovation was recognised at the second edition of the Top Insiders Awards, organised by Business Insider, with the Smart Business Innovation award.
- The Forbes Innovation Award went to UFD, the Group's electricity distributor in Spain, for its Fire Detection solution, a system that applies Artificial Intelligence and the Internet of Things (IoT) to protect large forest stands from fire, using electricity pylons and power lines as a lookout point.
- Naturgy was recognised with three awards at the 11th edition of the enerTIC Awards: the 'Support for Entrepreneurship and Start-up Ecosystem' award, the 'Smart Grid' award and the 'Sustainable Infrastructures' award.

## 05. Integrity and trust

### Naturgy's contribution to the SDG



One of Naturgy's guiding principles is to be a company where integrity and trust are the foundations on which the business model is based. To this end, the company has various policies, procedures and governing bodies that enable it to aspire to be responsible, transparent and committed to all its stakeholders (employees, suppliers, customers, and people in its working environment, among others).

In order to adequately manage risk, Naturgy has a set of rules, the cornerstone of which is the **Code of Ethics**, which is developed and supplemented by a set of policies that govern the conduct and management of the company by its directors, employees and suppliers. In addition to internal regulations, Naturgy has a number of safeguards in place, such as internal audits and a reporting channel.

The **corporate governance** of Naturgy is governed, in addition to integrity and trust, by the principles of efficiency and transparency in each of its actions, as established by the main recommendations and existing national and international standards. A well-developed human rights protection policy, the exercise of proper taxation, and the anti-fraud plans in place in the company are some examples of the measures developed to ensure these principles.

The Board of Directors is responsible for ensuring the good governance of the company. The Board, through its various committees, is responsible, inter alia, for overseeing the company's risk analysis, including environmental, social and ethical issues. In this regard, Naturgy's **Risk Management Model** seeks to ensure predictability of the company's performance in all relevant aspects for its stakeholders.

Among the emerging risks resulting from increased digitalisation, information integrity becomes more important due to the increase of threats and risks related to information systems. This is why cybersecurity is becoming more important and Naturgy has a governance model in this area for the entire organisation.

Moreover, with digitalisation, ensuring privacy and data protection is also an important issue. Naturgy complies with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, as well as with all regulations related to this matter in Spanish legislation.

Naturgy, aware that the risk in relation to the integrity of the company goes far beyond its operations, has a policy for managing its supply chain, as inadequate performance by its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption could damage the integrity of the company. Naturgy has systems in place to analyse and select suppliers, ensuring that the supply chain adheres to the principles set forth in the company's Code of Ethics through the **Supplier Code of Ethics**, in order to minimise these risks and ensure effective management.

## 1. Integrity and trust in 2023 at Naturgy

### Evolution and results

#### ▪ Integrity and transparency

[2-16] and [2-26]

	<b>2023</b>	<b>2022</b>
Communications received by the Ethics and Compliance Committee	109	61
No. of notifications received per 200 employees	2.3	1.2
Average time for resolving notifications (days)	94	78
Audit projects analysed on the basis of the risk of fraud	77	89
Notifications received in the area of human rights	0	0
Number of persons trained on the Human Rights Policy <sup>(1)</sup>	7,595	7,205

<sup>(1)</sup> Cumulative data, since 2011, when training in this area began. 390 persons trained on the Human Rights Policy in 2023.

The variation in the number of communications received by the Ethics and Compliance Committee is mainly due to improved control and reporting procedures and increased awareness in the use of the reporting system. As for the average time taken to resolve complaints, although the average time taken to resolve complaints increased occasionally in 2023, the company is actively working to reduce it.

#### ▪ Code of Ethics notifications

	<b>2023</b>	<b>2022</b>
Queries	29	18
Notifications	80	43
<b>Total</b>	<b>109</b>	<b>61</b>

#### ▪ Code of Ethics chapter to which complaints refer

	<b>2023</b>	<b>2022</b>
Respect for the individual	25	16
Corruption and bribery	34	12
Loyalty to the company and conflict of interest	3	1
Occupational health and safety	1	4
Environment and protection of assets	4	1
Other	13	9
<b>Total</b>	<b>80</b>	<b>43</b>

NB: further information can be found in the Reporting channel section of this chapter.

## ▪ Responsible supply chain management

[204-1]

	2023	2022
Total number of suppliers	5,678	5,951
Total purchase volume awarded <sup>(1) (2)</sup> (million euro)	2,802	2,643
Assessment of ESG suppliers <sup>(3)</sup> (number)	5,837	6,065
Number of critical suppliers	1,422	1,241
Official-approval suspended suppliers (number)	0	1

<sup>(1)</sup> These data include information from Argentina, Australia, Brazil, Chile, Costa Rica, the Dominican Republic, Israel, Italy, Mexico, Panama, Spain and the USA. The remaining data and indicators of the supply chain that appear in the report do not include the information from the Renewable Business in the United States, Dominican Republic, Italy, Brazil, Chile and Israel, nor that of the last four months of the year from the Gas Networks Business in Spain, due to system changes.

<sup>(2)</sup> There has been an increase in the volume of purchases awarded in Renewables and New Businesses and innovation, in line with the company's Strategic Plan 2021-2025.

<sup>(3)</sup> Environmental, Social and Governance (ESG). The ESG assessment of suppliers is carried out in the main subsidiaries of the Group where the Achilles tool is implemented, 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 a Naturgy bidding process.

	Target 2023	2023	2022
Purchase volume assigned to local suppliers <sup>(1)</sup>	> 85%	89.93 %	80.41 %
Coverage level of ESG audits over purchase volume with high ESG risk	> 80%	84.42 %	82.65 %
Percentage of purchase volume with acceptance of the Code of Ethics	> 95%	96.37 %	95.42 %

<sup>(1)</sup> Local supplier: supplier located in the same geographical area where the purchases are made.

## Highlights of the year

- Formulation by the Board of Directors of the policy that complies with the requirements of Law 2/2023 regulating the protection of persons who report regulatory infringements and the fight against corruption, and implementation of an Internal Reporting System and its management procedure.
- Adaptation of the reporting channel to the requirements of Law 2/2023.
- Implementation of the Internal Control System for Non-Financial Information with the aim of defining the set of processes that Naturgy carries out to provide reasonable assurance on the reliability of the non-financial information published by the company.
- Naturgy received 110 requests for information from the Spanish Data Protection Agency, all of which were duly dealt with and, at the date of writing this report, none of them had resulted in a sanction.
- Carrying out simulation exercises of response to cybersecurity incidents in each of the businesses and countries of operation on an annual basis and monthly analysis of vulnerabilities in cybersecurity measures.
- In 2023 it became mandatory to have a carbon footprint certificate in tenders for services or products with a high risk of climate change or with a large volume of purchases. In addition, for the remaining tenders, the possibility of voluntarily including a certificate verifying the measurement of its carbon footprint by an accredited entity as part of its technical offer is maintained, and that this is positively valued by Naturgy in the award decision.
- Naturgy contractually requires suppliers categorised as high risk in climate change and with a large volume of contracted purchases to report their degree of performance in climate matters each year through questionnaires on the CDP Supply Chain platform, thus involving suppliers in the improvement of their environmental impacts. In 2023, 238 Naturgy suppliers were invited to report their information through CDP Supply Chain.

## 2. Compliance

[2-23] and [2-24]

Integrity and trust compliance is one of the challenges that Naturgy faces in a coordinated manner. The company is convinced that the entire organisation must have a uniform approach to action, framed within the company's Code of Ethics and under a compliance management model.

The body of regulations is based on the Code of Ethics, which is complemented by the Supplier Code of Ethics, the Crime Prevention Model, the Compliance Policy, the Anti-Corruption Policy, the Human Rights Policy and other control standards and models that ensure the efficiency of operations in each of the company's areas.

Internal audit is the independent and objective assessment activity that ensures and safeguards the overall control system of the company and the external and internal regulations.

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

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

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

### Compliance management model

[2-23], [2-25] and [2-26]

As mentioned above, the compliance management model encompasses all the company's actions to ensure compliance with the precepts of integrity and trust. To this end, Naturgy has a model based on a series of commitments set out in its policies, supervisory bodies and safeguard mechanisms.

During 2023, a number of improvements were made to the compliance management system:

- The approval of Law 2/2023, regulating the protection of persons who report regulatory infringements and the fight against corruption, led to the following obligations for Naturgy, among others: have an Internal Reporting System, introduce guarantees for the protection of informants within the entity itself, as well as to approve a policy or strategy that sets out the general principles for the operation of the Internal Reporting System in question.

Accordingly, based on this obligation, on 31 May 2023 the Board of Directors of Naturgy formulated a policy that complies with the requirements of Law 2/2023, whose main objectives are:

- Delimit the scope of the Internal Reporting System, both objectively and subjectively.
  - State the general principles that must govern the functioning of the Internal Reporting System.
  - Establish guarantees for the protection of whistleblowers.
  - Facilitate the guidelines to be followed for the correct processing, investigation and resolution of complaints and consultations received.
- Likewise, and in implementation of the previous policy, on 20 July 2023 the Naturgy Board of Directors approved the Management Procedure of the Internal Reporting System of the Naturgy Group, which will be applicable to the processing of information relating to any of the infringements referred to in article 2 of Law 2/2023, in particular:
  - Any acts or omissions that may constitute breaches of European Union law that meet the criteria set out in Law 2/2023.

- Acts or omissions that may constitute a criminal offence.
- Acts or omissions that could constitute a serious or very serious administrative offence.

## **Code of Ethics and related policies**

[2-23]

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

Since 2005, when it was adopted, the Code of Ethics has been regularly renewed to adapt it to the new situations that affect the company. It was last updated in 2021.

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

The main compliance policies approved by the company are as follows:



	What it is	Targets
<b>Compliance Policy</b>	It establishes the roles and responsibilities for the compliance management system. Effective from 2019.	<ul style="list-style-type: none"> <li>– Promote a culture of compliance and zero tolerance of non-compliance.</li> <li>– Ensure, through prevention, detection, monitoring, training and response activities, the organisation's compliance with external and internal regulations.</li> <li>– Avoid possible sanctions, financial losses and reputational damage.</li> </ul>
<b>Anti-Corruption Policy</b>	<p>It establishes the principles for all employees and managers of Naturgy companies.</p> <p>This complies with national and international legislation in this matter.</p>	<p>Guide the conduct of employees and managers in the face of any corrupt practices within the company, through:</p> <ul style="list-style-type: none"> <li>– Prevention.</li> <li>– Detection.</li> <li>– Research.</li> <li>– Remedy.</li> </ul>
<b>Business Courtesies Policy</b>	It establishes the conditions under which Naturgy's directors and employees may accept or offer business courtesies to business counterparties in the performance of their professional duties.	<ul style="list-style-type: none"> <li>– Avoid improperly influencing their commercial, professional or administrative relations with both public and private entities.</li> <li>– It must comply with the principles set out in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy.</li> </ul>
<b>Conflict of Interest Policy</b>	Its purpose is to implement the provisions of chapter 4.10. "Loyalty to the company and conflict of interest" in the Naturgy Code of Ethics, which establishes that Employees must act with loyalty and in the best interests of Naturgy.	<ul style="list-style-type: none"> <li>– Establish the guidelines for action to be followed by Employees in the event of a conflict of interest situation, based on the principles of loyalty, abstention and transparency for the resolution of these situations.</li> <li>– It must comply with the principles set out in the Code of Ethics, the Supplier Code of Ethics, the Compliance Policy, the Anti-Corruption Policy and the Internal Code of Conduct on Matters Relating to Securities Markets and Treasury Stock Policy (ICC).</li> </ul>
<b>Counterparty Due Diligence Procedure</b>	Its purpose is to ensure that all areas of the Naturgy group carry out analyses, corruption and reputational risk assessments and their monitoring in an efficient and uniform manner, when third parties are involved in the business relations of the companies that make up the Naturgy group.	<ul style="list-style-type: none"> <li>– Comply with the principles set out in the Code of Ethics, the Crime Prevention Model, the Compliance Policy and the Anti-Corruption Policy.</li> </ul>
<b>Supplier Code of Ethics</b>	Its purpose is to establish guidelines for the ethical behaviour of its suppliers, contractors and external collaborators.	<ul style="list-style-type: none"> <li>– It includes the commitments derived from the United Nations Global Compact.</li> <li>– It determines the guidelines for conduct in the social and labour, ethical and good governance, health and safety, environmental and quality areas.</li> </ul>
<b>Internal Reporting System Policy</b>	Establishes the necessary guidelines to have an Internal Reporting System under the terms detailed in Law 2/2023.	<ul style="list-style-type: none"> <li>– It delimits the scope of the Internal Reporting System both objectively and subjectively.</li> <li>– It states the general principles that must govern the functioning of the Internal Reporting System.</li> <li>– It establishes guarantees for the protection of whistleblowers.</li> <li>– It facilitates the guidelines to be followed for the correct processing, investigation and resolution of complaints and consultations received.</li> </ul>
<b>Internal Reporting System Management Procedure</b>	It establishes the process for processing information relating to any of the offences referred to in Article 2 of Law 2/2023.	<p>Procedure for the investigation of:</p> <ul style="list-style-type: none"> <li>– Any acts or omissions that may constitute breaches of European Union law that meet the criteria set out in Law 2/2023.</li> <li>– Acts or omissions that may constitute a criminal offence.</li> <li>– Acts or omissions that could constitute a serious or very serious administrative offence.</li> </ul>

The main policies in the area of compliance are accessible to all our stakeholders through our corporate website. In addition, the Counterparty Due Diligence Procedure is hosted in Naturgy's internal regulatory navigator tool and on the Company's intranet, being accessible to all employees, thus facilitating their knowledge and application of the due diligence processes.

## Supervisory bodies

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

Also, the Compliance Unit takes charge of the dissemination of the Code of Ethics of Naturgy by overseeing compliance with its provisions and the Anti-Corruption Policy. This unit reports regularly to the Ethics and Compliance Committee and the Audit and Control Committee (a delegated committee of the Board of Directors) on the activity carried out in the exercise of its functions. It also provides regular reports, covering the most relevant matters related to the dissemination of and compliance with the Code of Ethics and the Anti-Corruption Policy, and monitors their main indicators.

During 2023, the Ethics and Compliance Committee has held five working meetings, as well as one held in writing and without a meeting, among which, in addition to analysing the monitoring of the main indicators in the area of compliance, special attention was paid to the monitoring of complaints received through the Code of Ethics Channel and the proposal of appropriate measures to close them, and also to the analysis of the counterparties that, due to the singularities presented, have been submitted for analysis by the Compliance Unit.

## Safeguard mechanisms

[2-16]

In addition to the Code of Ethics and specific oversight bodies, the compliance management model is complemented by other safeguards to help minimise the potential risks from possible breaches. These mechanisms are:

- Crime Prevention Model.
- Channels for reporting possible non-compliances.
- Counterparty Due Diligence Procedure.
- Dissemination and training actions. Training actions on corruption and bribery have been carried out by 96.7% of the staff.

### Crime Prevention Model

The company has an international Crime Prevention Model which is updated annually. Thus, in 2023, the model has continued to be adapted to the new organisational structure operated within Naturgy.

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

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

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

Each year, this model is assessed by an independent third party. During 2023, the AENOR UNE 19601 certifications relating to Criminal Compliance and ISO 37001 relating to Anti-bribery were renewed. With regard to the evaluation of the system by an independent third party expert, it will be carried out in the first months of 2024 in order to be able to fully measure the design and effectiveness of the Crime Prevention Model during the year.

Worldwide, Naturgy is also deploying crime prevention models gradually in Argentina, Australia, Chile, the United States, Mexico and Panama, countries with laws governing the civil liability of legal persons.

While the Crime Prevention Model identifies all criminal risks applicable to Naturgy in accordance with article 31 bis of the Criminal Code, the fight against fraud, corruption and the criminal risks related to money laundering are the most important ones, on which more information is provided below.

### Anti-fraud and anti-corruption plans

[2-16]

Naturgy's mechanisms to ensure the proper implementation of the Anti-Corruption Policy and to prevent, detect, investigate and sanction cases of corruption:

- 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.
- Employees, as well as Naturgy's stakeholders, have at their disposal channels so that they can bring to the attention of the Ethics and Compliance Committee any non-compliance or irregular or suspicious behaviour in this area. Communications can be made on the Naturgy Internal Reporting System website (<https://naturgy.integrityline.com/frontpage>). Through this channel, also accessible through Naturgy's corporate website, the compliance unit, together with the internal audit, people and organisation or other areas of the company whose intervention is required, carry out the relevant investigations arising from reports of corruption and bribery. If the reported behaviour is confirmed, and in application of the Operating Regulations of the Code of Ethics Channel or the Management Procedure of the Internal Reporting System for the infringements referred to in article 2 of Law 2/2023, the imposition of sanctions and the adoption of the corrective measures deemed appropriate are envisaged.
- Regular declaration for all new employees and particularly exposed persons, in which they must formally state that they know and comply with the principles established in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy was launched in 2023. Likewise, for those employees considered particularly exposed either because of their area of dedication or because of the position they hold in the company, the declaration is annual.
- Business Courtesies Policy: the purpose of this policy is to regulate the conditions under which Naturgy's directors, managers and employees may accept/offer business hospitality from/to third parties within the framework of the performance of their professional duties, which are legitimate, reasonable, proportional and appropriate to the level of the offeror and the recipient, so as to ensure effective compliance with the principles of objectivity, impartiality and transparency established in the Code of Ethics and in Naturgy's Anti-Corruption Policy. The Policy is established as a basic framework for anti-bribery compliance in accordance with the international standard UNE-ISO 37001, on anti-bribery management systems.
- Conflict of interest policy that seeks to establish mechanisms to identify situations of conflict of interest in order to minimise it so that it does not become a risk of fraud and corruption.

During 2023, in Spain, one case of internal fraud was confirmed and received through the Code of Ethics Channel, and remedial action was taken in this area.

## Prevention of money laundering

[2-25]

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.

Prevention	Detection	Reaction and response
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. Compliance Policy Committee on Expenditure and Investment (TOTEX)	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.	Internal Reporting System Management Procedure Code of Ethics Channel operating regulations. Disciplinary regime. Collaboration with competent authorities in each country when faced with suspicious situations.

### Reporting channel

It is a mechanism that arises for Naturgy employees to acquire a high level of commitment to compliance with its Code of Ethics and Anti-Corruption Policy. Its breach is analysed according to internal disciplinary procedures, legal regulations and existing agreements.

In 2023, the company adapted its whistleblower channel to the requirements of Law 2/2023 regulating the protection of persons who report regulatory infringements and the fight against corruption. In this way, the tool makes it possible to file complaints that may constitute infractions referred to in article 2 of Law 2/2023, which refer to breaches of the Code of Ethics such as complaints of sexual or gender-based harassment. The channel, more agile, traceable, with software that is more secure and certified in Europe, is available through Naturgy's external website and the Company's intranet (<https://naturgy.integrityline.com>).

Since the entry into force of the new Organic Law on Data Protection and Guarantee of Digital Rights, and in accordance with the provisions thereof and Law 2/2023, the Naturgy reporting channel allows for anonymous consultations and whistleblowing. In 2023:

- None of the communications received through the Internal Information System refer to those referred to in Article 2 of Law 2/2023, regulating the protection of persons who report regulatory infringements and the fight against corruption
- 31.25% (37.2% in 2022) 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.
- Five disciplinary situations, two serious offences and two very serious offences, from complaints made to the Ethics and Compliance Committee, or from situations covered in the Code of Ethics or the Anti-Corruption Policy have been handled. These disciplinary situations have been resolved by written reprimand and financial penalty and dismissal. It was not necessary to repair damages relating to impacts caused by human rights cases.

### Counterparty Due Diligence Procedure

Naturgy has a Counterparty Due Diligence Procedure to know and analyse the counterparties with whom the company operates and thus evaluate the associated corruption and reputation risks.

Through application of this Procedure, Naturgy ensures that all areas of the Group carry out analyses, corruption and reputational risk assessments and their monitoring in an efficient and uniform manner, when third parties are involved in the business relations of the companies that make up the Naturgy Group.

The application of this Procedure complements, and does not replace, the third-party assessments already established by Naturgy's regulatory body and which must be carried out by other units, such as Purchasing or Risks.

During 2022, a new analysis tool was implemented that visually and globally includes all the risks associated with counterparties that must be taken into account in any analysis (sanctions, adverse media, geopolitical risk, particularly exposed persons, SOEs, ESG aspects, etc.). This tool aims to standardise the risk assessment of both suppliers and counterparties under the scope of the Counterparty Due Diligence Procedure. The compliance preliminary risk analysis processes were also computerised by implementing initial risk assessment forms via the corporate intranet.

### Dissemination and training actions

Naturgy regularly carries out training initiatives based on the programme with the aim of raising awareness of the importance of fighting against corruption and ensuring that directors, employees and suppliers are given enough and appropriate information to act accordingly. Some of these regular initiatives include the following:

- Update of the Naturgynet space dedicated to compliance.
- Periodic report to the Board of Directors on the activities of the Ethics and Compliance Committee (notifications received, activities carried out, etc.).
- Training course on Crime Prevention Model, Code of Ethics and Anti-Corruption Policy.
- Specific training in relation to the Crime Prevention Model and Anti-Corruption Policy for new employees and directors.
- Presentations in Boards of Directors and Management Committees of the Crime Prevention Model.

During 2023, face-to-face training sessions were held throughout Spain to raise awareness among business units in the commercialisation area of the importance of processes to prevent fraud and corruption, with special emphasis on data protection breaches.

Face-to-face training sessions have also been developed for the Internal Audit, People, Organisation and Cybersecurity areas to search for information through open sources.

As regards communication activities, successive messages have been published on the intranet under the title Flash Compliance. In these communications, the Compliance Area has taken advantage of current news to convey information related to this matter.

In the second half of the year, the campaign The Power of Integrity was published on NaturgyTV, consisting of six videos on different topics: workplace harassment, sexual or gender-based harassment, business courtesies, bribery, conflicts of interest and counterparty due diligence. The campaign closed with great success and with a final video introducing the Naturgy Compliance team and conveying the central message of the campaign Compliance is everyone.

### Non-compliances and fines

[2-27]

The penalties imposed on Naturgy with a value of more than Euros 10,000 and considered final in administrative proceedings during 2023 are detailed in this section. This is without prejudice to any legal action that may be taken against them and which could lead to their annulment.

In Spain, the electricity distribution company (UFD) has received two penalties amounting to Euros 20,501 for billing errors and one penalty amounting to Euros 11,799 for causing a fire caused by a discharge on a high-voltage line. Related to the commercialisation business, Naturgy has received five fines amounting to Euros 93,001 for failing to comply in due time and form with the requirements formulated by the administration, 17 fines for a total amount of Euros 240,754 euros for improper contracting or modification of the supply contract and/or maintenance contract and six fines for a total amount of Euros 63,000 for errors in energy billing. In addition, the Renewables business has been fined Euros 419,297 for a serious tax offence for failing to file three self-assessment tax returns on time. In Brazil, a sanction of Euros 12,698 was received for delaying the registration of a customer.

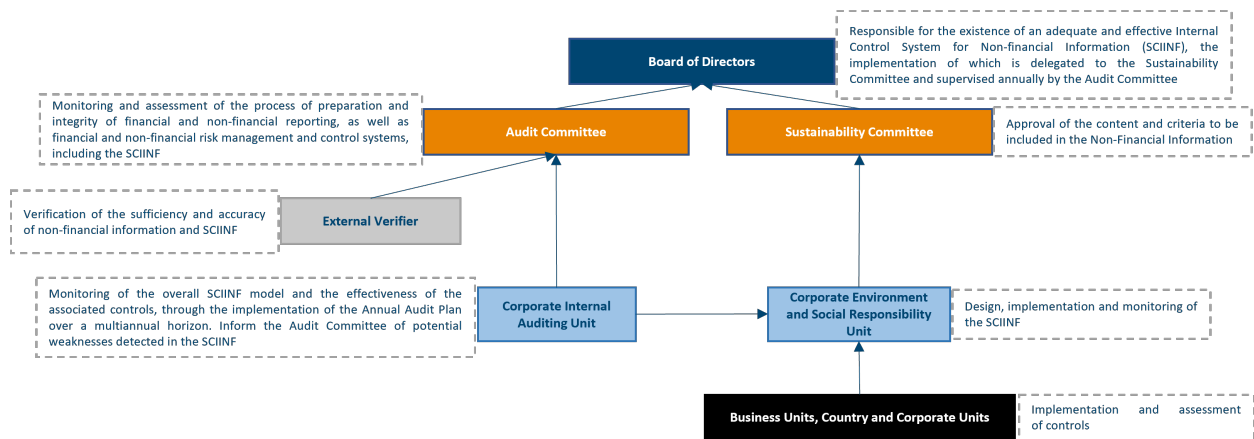
The company recorded no fines in 2023 for monopolistic practices or related to information and labelling of products and services.

### Internal Control System for Non-Financial Information System (ICSNFR)

In order to ensure the reliability of the information on environmental, governance and social aspects, Naturgy has implemented the Internal Control System for Non-Financial Information (ICSNFR) whose aim is to ensure the quality and reliability of the non-financial information reported, as well as the robustness of its reporting process.

The development of the ICSNFR has been carried out under the framework of the Corporate Sustainability Reporting Directive (CSRD), amending the Non-Financial Reporting Directive (NFRD). Among the main changes included is the need for verification of sustainability information under reasonable assurance in the future. Therefore, the contents of the Non-Financial Information Statement (NFS), which will be renamed Sustainability Report (SR) from the financial year beginning 1 January 2024, must be subject to systematic internal control, supervision and monitoring to ensure the quality and reliability of the non-financial information.

The Board of Directors, the Sustainability Committee and the Audit and Control Committee are the governing bodies involved in the design, implementation and operation of the system of controls and processes to identify risks and ensure the reasonable assurance and reliability of the non-financial information that the company discloses to the market.



### 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.

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

In 2023, 118 (128 in 2022) internal audit projects were carried out, 77 (89 in 2022) of which corresponded to the review of processes associated with the main risks of the service and business executive departments at Naturgy. The analyses carried out reached 100% of the service and business executive departments. In the projects performed. In the projects performed in 2023, no significant incidents related to corruption were detected. One case of internal fraud was detected.

## Taxation

### Tax policy

For Naturgy, the company's tax policy must have well-defined basic lines, so that all the players involved are clear about all the procedures to be followed and those that will be followed.

All of Naturgy's tax policies are aligned with:

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

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

### Tax strategy

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

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

### Tax Risks Control and Management Policy

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

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

Overall and integrated responsibility for the tax function is centralised in the Tax Unit. The entire Group has common tax policies to allow for proper functioning and coordination between the different tax units of the company. In this way, they are developed under a single, common criterion, without prejudice to the peculiarities of each business and jurisdiction.

In order to perform these functions correctly, the tax units at Corporate and Business levels have teams with academic and practical training in accounting, financial and tax matters that enable them to carry out their tasks satisfactorily.

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.

### Tax Risks and Tax Control Framework

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

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

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

The compliance assessment of the fiscal governance and control framework takes place at year-end and prior to the preparation of the Consolidated Annual Accounts. The Board of Directors is presented with Naturgy's tax situation by the Company and Board Secretary, which includes, among other matters:

- The tax policies applied during the year.
- Tax information by country and information included in the annual financial report.
- Tax audits, litigation and tax risk mapping.
- Compliance with the obligations assumed by adherence to the Code of Good Tax Practices.
- The most relevant results of the monitoring of the functioning of the Tax Control Framework.

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



## Tax havens

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

At the end of 2023, the Naturgy Group has no company in any territory considered as a non-cooperative jurisdiction in accordance with the new regulations arising from the EU Directive 2016/1164 of the Council of 12 July 2016, which has been implemented in the Spanish internal regulations through Law 11/2021 of 9 July, which amended the First Additional Provision of Law 36/2006 of 29 November on the prevention of tax fraud, and, specifically, the list of non-cooperative jurisdictions published in Order HFP/115/2023 of 9 February. At year-end 2022, there were also no companies in any territory classified as a non-cooperative jurisdiction.

## 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 2023 amounted to Euros 2,229 million Euros (3,504 million in 2022). 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 <sup>(1)</sup>		Others <sup>(2)</sup>		Total		VAT		Hydrocarbons tax and Electricity tax		Others <sup>(3)</sup>		Total		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Spain	33	379	521	273	554	652	534	1,723	92	93	178	184	805	2,000	1,359	2,652
Argentina	10	9	4	4	14	13	2	2	0	0	0	5	2	7	16	20
Brazil	73	75	17	0	90	75	116	68	0	0	8	62	124	130	213	205
Chile	42	139	39	5	82	144	48	44	0	0	1	2	49	46	130	190
Mexico	63	95	4	8	67	103	88	67	0	0	44	0	132	67	200	170
Panama	14	10	6	0	20	10	3	1	0	0	0	1	3	2	23	12
Rest of LatAm	15	9	7	0	22	9	28	6	0	0	1	1	29	7	51	16
<b>Total LatAm</b>	<b>217</b>	<b>337</b>	<b>78</b>	<b>17</b>	<b>295</b>	<b>354</b>	<b>284</b>	<b>188</b>	<b>0</b>	<b>0</b>	<b>54</b>	<b>71</b>	<b>339</b>	<b>259</b>	<b>633</b>	<b>613</b>
Rest	127	46	6	3	133	49	95	153	6	35	3	2	104	190	237	239
<b>Total</b>	<b>377</b>	<b>762</b>	<b>604</b>	<b>293</b>	<b>982</b>	<b>1,055</b>	<b>914</b>	<b>2,064</b>	<b>98</b>	<b>128</b>	<b>235</b>	<b>257</b>	<b>1,247</b>	<b>2,449</b>	<b>2,229</b>	<b>3,504</b>

<sup>(1)</sup> Refers to income tax actually paid in the year as per the Cash-Flow Statement of the Consolidated Annual Accounts. It does not include accrued amounts and does include the Temporary Energy Levy in Spain amounting to Euros 165 million. Set out below is the reconciliation between income tax recognised and the amount that would be obtained by applying the nominal tax rate in force in the parent company's country (Spain) to "Profit/(loss) before taxes", as detailed in Note 21 "Tax situation" to the Consolidated Annual Accounts.

<sup>(2)</sup> Includes energy taxes in Spain, local taxes, social security for the company's share and other taxes specific to each country.

<sup>(3)</sup> Basically includes withholdings on employees and Social Security for the employee's contribution.

The main difference in Naturgy's tax contribution compared to 2022 is explained by the reduction of VAT in Spain applied by the Government in order to mitigate the impact of inflation on energy prices.

Information on revenues from sales to third parties and revenues from intra-group transactions with other tax jurisdictions in 2023 is not available on a country-by-country basis on completion of this report. The information will be available for the country-by-country statement submitted in December next year. For 2022 information, details are provided in Chapter "Annexes", section Integrity and trust.

## Subsidies

The changes in capital subsidies received are detailed in Note 15 to the Consolidated Annual Accounts. Capital grants were received in 2023 in the amount of Euros 1 million (Euros 13 million in 2022). If operating subsidies had been received, these would be disclosed in Note 24 of the Consolidated Annual Accounts. No such subsidies were received in 2023 or 2022.

## Global Human Rights Policy

[3-3]

(Human rights)

Naturgy is committed to respecting and protecting human rights in all its operations. Its commitment is expressed in its Global Human Rights Policy in place since 2011 and aligned with the UN's Guiding Principles on Business and Human Rights. The policy was updated and approved by the Board of Directors in 2019.

The ten commitments adopted in the policy were defined through an analysis of 33 risks covering all the areas and countries in which the company operates, with the participation of the heads of each business or country who assessed the degree of exposure to each of the risks and the internal mechanisms available for their management.

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

In 2023, the company continued to monitor the proposed EU directive on sustainability due diligence. Their requirements will determine the future human rights actions to be addressed by the company.

### ▪ Human Rights Policy Principles and risks identified

#### **Commitment 1. Avoiding any practices which are discriminatory or which might compromise people's dignity**

Risk 1. Failure to respect people	Failure to provide the necessary conditions to enable people to work in an environment where their dignity and rights are respected in the centres and activities of the group.
Risk 2. Discrimination	Failure to avoid discriminatory practices on grounds of gender, ethnic origin, creed, religion, age, disability, political affinity, sexual orientation, nationality, citizenship, civil status or socio-economic status in the processes and practices of the company regarding human resources issues.
Risk 3. Abuse, intimidation and violence	Failure to avoid cases of abuse, intimidation or violence among group employees.
Risk 4. Forced and compulsory labour	Failure to avoid resorting to forced labour or that company employees are unable to freely choose their job position.
Risk 5. Unjust detention	That employees can be detained on unjust or unfair grounds by the authorities or other organisations that use intimidation and violence.

#### **Commitment 2. Eradication of child labour**

Risk 6. Child labour	That the activities and operations of the group breach children's rights.
Risk 7. Minimum working age	The company does not ensure that the ages of all its employees exceeds the minimum working age.

#### **Commitment 3. Ensure freedom of association and collective bargaining**

Risk 8. Freedom of association	In those places where the institutional framework does not guarantee freedom of association and the right to collective bargaining, failure by the company to provide its employees with the conditions for them to meet and freely discuss issues related to their working or employment conditions.
Risk 9. Collective bargaining	Failure to ensure that its employees have the right to freedom of association, trade union membership and collective bargaining.
<b>Commitment 4. Protecting employee health</b>	
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.
<b>Commitment 5. Ensure adequate employment and salary</b>	
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.
<b>Commitment 6. Commitment towards people linked to suppliers, contractors and collaborating companies</b>	
Risk 17. Suppliers, contractors and collaborating companies	The company works with suppliers, contractors and collaborating companies whose practices do not respect human rights.
<b>Commitment 7: Respecting indigenous communities and traditional ways of life</b>	
Risk 18. Rights of indigenous communities	The company violates the human rights and fundamental freedoms of the indigenous communities in the areas where it operates.
Risk 19. Indigenous territories	Failure by the company to recognise the right of indigenous communities to maintain their customs and social practices, as well as ownership of those territories that have been given to them legally, according to the provisions of ILO Convention 169.
Risk 20. Land procurement	During the procurement of land and other transactions or trade agreements with communities, the company fails to adequately inform them in advance or compensate them according to local law and practice and, in any case, in an objectively fair manner.
Risk 21. Assessing impacts	Failure by the company to have the necessary mechanisms to assess the potential impact and risk to the rights of communities in its projects.
Risk 22. Environmental impact	The activities of the group generate an unjustified negative impact on the environment.
<b>Commitment 8. Protecting facilities and people on the basis of respect for human rights</b>	

Risk 23. Background on security staff	The staff who protect the security of the facilities and operations of the group have been involved in the abuse of human rights.
Risk 24. Bad practices of security staff	The staff who protect the security of the facilities and operations of the group are involved in injustices and in the inhumane or degrading treatment of people.
Risk 25. Disproportionate use of force	The staff who protect the security of the facilities and operations make disproportionate or unjustified use of force.
Risk 26. Misuse of company assets	The resources and assets of the company are used to violate human rights as a consequence of security staff practices.
Risk 27. Involvement in abuse	The company is involved in the abuse of human rights committed by governmental security forces.
<b>Commitment 9. Support and promote respect for human rights in the wider community</b>	
Risk 28. Public commitment	That the commitment made by the company to human rights issues is not known publicly.
Risk 29. Freedom of opinion and expression	The company does not respect or promote the right to freedom of thought, conscience and religion and the freedom of opinion and expression within its field of activity.
Risk 30. Social rights of the community	Failure by the company to undertake actions or foster plans and/or activities in benefit of social rights, as a part of human rights, in the community where it operates.
Risk 31. Investment analysis	Failure by the company to have the necessary mechanisms to assess the potential impact on and risk to human rights of investment projects.
Risk 32. Partner analysis	The due diligence processes prior to the execution of collaboration agreements with third parties do not analyse the human rights policies and practices of partners.
<b>Commitment 10. Helping to fight corruption and protect privacy</b>	
Risk 33. Corruption	The activities of the company provide incentives for or foster public-private corruption.

## Due diligence and risk assessment

Due diligence includes the ongoing analysis of human rights risks and their consequences, both in own activities and in business dealings. This includes establishing commitments and assigning responsibilities, supervising and monitoring the implementation of the policy, training people in the company and correcting any malpractice.

To monitor these risks, the heads of each area of the company carry out periodic assessments of the risks identified according to their level of management.

Each area of the company is responsible for complying with the Global Human Rights Policy. Knowledge is strengthened through mandatory training, seminars and information sessions. By the end of 2023, 7,595 people have taken the online human rights course.

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

The company introduces specific measures for management of potential impacts and risks to human rights from the projects and investments, and will ensure that sufficient resources are targeted at the implementation of the corrective measures identified. More detailed information can be found in chapter "Social Responsibility", section Relationship with communities.

In the due diligence processes prior to the formalisation of collaboration agreements, Naturgy assesses the human rights policies and practices of its counterparties. During 2022, an analysis tool was successfully implemented, including a human rights risk assessment of counterparties. More detailed information can be found in this chapter, in the section on Compliance.

In addition, in the evaluation of suppliers, human rights practices are considered and suppliers may be excluded if they do not comply with the ethical standards set out in the Supplier Code of Ethics, which includes issues relating to respect for human rights, in particular those related to:

- Eliminating of all forms of forced or compulsory labour.
- Child labour.
- Respecting indigenous communities and traditional ways of life.
- Respecting people in general.

In this way, Naturgy establishes prevention mechanisms with regard to the third parties with which it establishes business relations so that the company's principles are extended to the supply chain.

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. Those people who, without being company employees, witness potential malpractice in this area may also report this.

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

<b>Indicator</b>	<b>Reference</b>	<b>Level of fulfilment</b>
<b>System of respect for Human Rights (A)</b>		
A1. Policy commitment.	SRNFIS 2023. Global Human Rights Policy. Code of Ethics – pages 8-9.	Complete.
A1.1 Development of public commitment.	SRNFIS 2023. Global Human Rights Policy – pages 4-7.	Complete.
A1.2 Extent and scope of application of commitment.	SRNFIS 2023. Global Human Rights Policy – pages 3-4.	Complete.
A1.3 Form of communication of commitment.	SRNFIS 2023. Global Human Rights Policy – pages 7-9.	Complete.
A2. Embedding respect for Human Rights.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 8-9. 2022 Annual Report on Remuneration.	Complete.
A2.1 Organisation of responsibility in the field of human rights.	SRNFIS 2023. Global Human Rights Policy, page 7.	Complete.
A2.2 Human rights issues escalated to the senior management and the governing board.	SRNFIS 2023. Global Human Rights Policy, page 8. 2022 Annual Report on Remuneration.	Partial.
A2.3 Raising employees' awareness about human rights issues.	SRNFIS 2023. Global Human Rights Policy, page 7. 2022 Annual Report on Remuneration.	Complete.
A2.4 Company's form of stating its commitment towards human rights in commercial relations.	SRNFIS 2023. Global Human Rights Policy, page 5 and 8.	Complete.
A2.5 Lessons learnt about human rights and consequences which have arisen as a result.	SRNFIS 2023..	Partial.
<b>Defining a focus of reporting (B).</b>		
B1. Statement of salient issues.	SRNFIS 2023.	Complete.

B2. Determination of salient issues.	SRNFIS 2023.	Complete.
B3. Choice of focal geographies.	SRNFIS 2023.	Complete.
B4. Additional negative impacts.	SRNFIS 2023. 2022 Internal Audit Report.	Complete.
<b>Management of salient human rights issues (C).</b>		
C1. Specific policies.	SRNFIS 2023.	Complete.
C1.1 Importance of human rights policy for persons responsible for implementing it.	SRNFIS 2023. Global Human Rights Policy, page 3.	Complete.
C2. Stakeholders commitment.	SRNFIS 2023.	Complete.
C2.1 Identification of stakeholders to take part in salient human rights issues.	SRNFIS 2023.	Partial.
C2.2 Stakeholders which have had relations with the company in connection to human rights.	SRNFIS 2023.	Complete.
C2.3 Influence of the stakeholders' vision regarding human rights issues.	SRNFIS 2023.	Partial.
C3. Assessing impacts.	SRNFIS 2023.	Complete.
C3.1 Patterns or trends in human rights impacts.	SRNFIS 2023.	Partial.
C3.2 Severe impacts on human rights.	SRNFIS 2023.	Complete.
C4. Integrating findings and taking action.	SRNFIS 2023.	Partial.
C4.1 Involvement by the company's parties in applying solutions and taking decisions regarding salient human rights issues.	SRNFIS 2023.	Complete.
C4.2 Tensions of human rights impacts.	SRNFIS 2023. Global Human Rights Policy, Commitment 6.	Partial.
C4.3 Actions taken to prevent or mitigate potential impacts on human rights.	SRNFIS 2023.	Complete.
C5. Tracking performance.	SRNFIS 2023.	Complete.
C5.1 Effective management of human rights issues.	SRNFIS 2023.	Complete.
C6. Remediation	SRNFIS 2023.	Partial.
C6.1 Means of claiming regarding human rights issues.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23.	Complete.
C6.2 People's capacity to make claims or complaints.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23.	Complete.
C6.3 Processing of claims and evaluation of effectiveness of results.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23. 2022 Audit and Control Report.	Complete.
C6.4 Patterns and trends in claims or complaints.	SRNFIS 2023.	Partial.
C6.5 Repairs in relation to any impact relating to human rights.	SRNFIS 2023.	Complete.

## Mitigation and remediation

Through the Human Rights Policy and the procedures for the evaluation of its own and third party risks, Naturgy adopts a preventive approach in relation to human rights risks.

Further details on the actions to mitigate the risks to Naturgy's employees (Risks 1 to 16) and the objectives established in matters relating to people's rights are described in chapter "Commitment and Talent", section Interest in people.

The main tools to prevent the materialisation of risks on suppliers, contractors and collaborating companies, including companies providing facility security services, are the Supplier Code of Ethics and supply chain management based on risk assessment. The assessment of suppliers includes issues related to human rights practices that are used to exclude suppliers in the event of an unsatisfactory response. Further details of these actions are described in this chapter, section Supply Chain.

The mitigation of risks relating to indigenous peoples (Risks 18 to 22) and communities in the company's project environments (Risks 28 to 32) is supported by the Social Relationship Model, which is described in more detail in chapter "Naturgy's stakeholders", section Dialogue actions with stakeholders and in chapter "Social Responsibility", section Relationship with communities.

Finally, the measures adopted to mitigate risk 33, relating to corruption, are extensively detailed in this chapter in the Compliance section.

During 2023, there is no record of any human rights violations received through the Code of Ethics Channel or otherwise, so no remedial action was required in this area.

### 3. Corporate governance

#### Corporate governance and its constant evolution

[2-9]

Naturgy's corporate governance is governed in accordance with the principles of efficiency, transparency and responsibility pursuant to the recommendations and best practices at national and international level and included in the main internal rules of the company:

- Articles of Association (updated in 2022).
- Regulations of the Board of Directors and its Committees (updated in 2022).
- Regulations of the General Meeting of Shareholders (updated in 2022).
- Human Rights Policy (updated in 2019).
- Code of Ethics (updated in 2021).

During 2023 and due to the approval of Law 2/2023 of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption, Naturgy's Board of Directors has carried out the necessary actions to comply with the obligations established therein, among the key measures adopted are the following:

- Approval of the Naturgy Group's Internal Reporting System Policy.
- Approval of the Management Procedure of the Internal Reporting System of the Naturgy Group.
- Designation of the person responsible for the Internal Reporting System.
- Adaptation of internal reporting channels to the requirements of Law 2/2023.

Furthermore, in the actions carried out by the Board of Directors, there is a clear vocation for compliance with good governance standards, mainly with regard to aspects related to the evaluation of the strategic plan, decision-making, the establishment of control mechanisms, risk supervision, regulatory compliance and the monitoring of ethical, social and environmental issues in the performance of the company's activities. To this end, Naturgy frequently reviews its operations through 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.

#### ▪ Stake (%)

	<b>2023</b>	<b>2022</b>
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" <sup>(1)</sup>	26.7	26.7
Global Infrastructure Partners III <sup>(2)</sup>	20.6	20.6
CVC Capital Partners SICAV-FIS, S.A. <sup>(3)</sup>	20.7	20.7
IFM Global Infrastructure Fund <sup>(4)</sup>	14.9	14.0
Sonatrach	4.1	4.1

<sup>(1)</sup> Stake through Criteria Caixa S.A.U.

<sup>(2)</sup> 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.

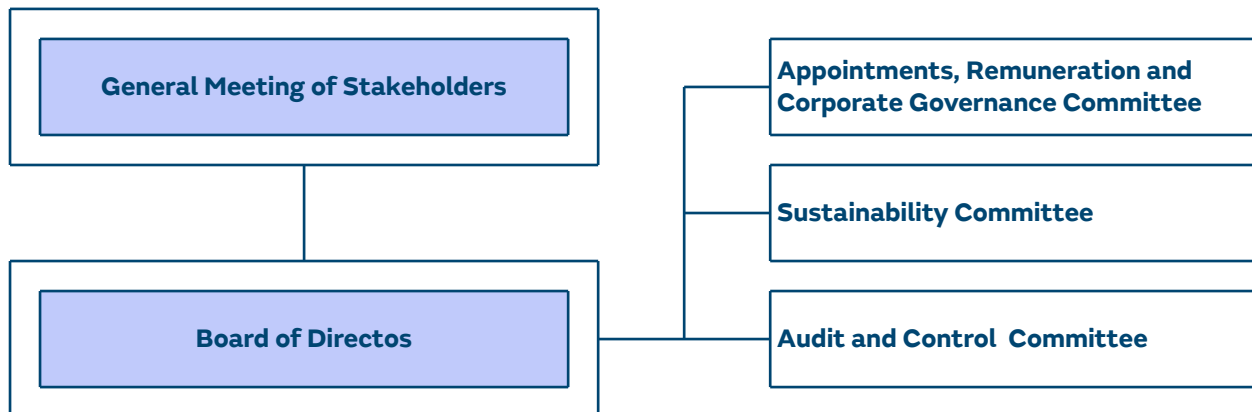
<sup>(3)</sup> Through Rioja Acquisition S.à.r.l.

<sup>(4)</sup> Through Global InfraCo O (2) S.à. r.l.



## Governing structure of Naturgy

[2-9], [2-15] and [2-25]



Since the Chairman of the Board of Directors of Naturgy is also the Executive Director, the company has appointed the figure of the Lead Director, in order to mitigate possible conflicts of interest. This position is held by Ms. Helena Herrero, who is also an Independent Director, member of the Audit and Control Committee, and Chair of the Sustainability Committee. Pursuant to article 529 Septies of the Corporate Enterprises Act, the Lead Director has the power to request the calling of board meetings or the inclusion of new items on the agenda, to coordinate and bring together the Non-Executive Directors and to direct, where appropriate, the periodic evaluation of the Chairman of the Board of Directors.

As established in the Regulations of the Board of Directors and its Committees, all members of the Board of Directors of Naturgy, including the Executive Chairman, are obliged by the Corporate Enterprises Act to:

- a) Abstain from participating in the deliberations and voting procedures in relation to resolutions or decisions in which they or any related party is subject to any direct or indirect conflict of interest. The foregoing shall exclude the obligation to abstain from resolutions or decisions that affect the Director in his or her capacity of director of the Company, such as the designation or revocation thereof in relation to positions within the governing body or other similar positions.
- b) Adopt the measures necessary in order to avoid situations in which his or her interests, whether directly or indirectly in relation to any third party, may be subject to any conflict of interest with the Company's interests and with his or her duties to the Company.

In this regard, Naturgy's Directors' Remuneration Policy, approved in March 2022 by the General Meeting of Shareholders, and in force from its date of approval and for the 2023, 2024 and 2025 financial years, includes, as a preventive measure for possible conflicts of interest, that the Executive Chairman does not participate in the debates of the Appointments, Remuneration and Corporate Governance Committee when they deal with aspects that may affect them in relation to remuneration.

Naturgy also has a Conflicts of Interest Policy, approved in May 2021 and applicable to all Group employees, including the Executive Chairman. The policy establishes the guidelines to be followed by employees in the event of a conflict of interest, based on the principles of loyalty, abstention and transparency in resolving it.

Lastly, with regard to the actions aimed at monitoring and mitigating possible conflicts of interest, the Chairman of the Board of Directors must provide information on an annual basis, both in his capacity as a Board member and as an employee of the Naturgy Group, on the existence of any conflict between their personal interests and those of the company.

Further information can be found in sections A and C of the 2023 Annual Corporate Governance Report.

## Management structure

[2-11]

The company's chief executive is also the Chairman of the Board of Directors and has responsibility for all the Group's businesses. The group has a structure of directors and managers with the necessary powers to carry out both the company's own operations and its core management activities. Members of the management committee are defined as persons with executive responsibilities who report directly to the Executive Chairman, Mr. Francisco Reynés Massanet.

Apart from the Executive Chairman, as of 31 December 2023, the Management Committee is composed of the following members:

- Energy and Network Management Department, managed by Mr. Pedro Larrea Paguaga.
- Renewables and New Business Department, managed by Mr. Jorge Barredo López.
- Commercialisation Department, managed by Mr. Carlos Francisco Vecino Montalvo.
- Information Systems Department, managed by Mr. Rafael Blesa Martínez.
- Capital Markets Department, managed by Mr. Steven Fernández Fernández.
- Energy Procurement and Wholesale Markets Department, managed by Mr. Jon Ganuza Fernández de Arroyabe.
- Company and Board Secretariat, managed by Mr. Manuel García Cobaleda.
- Sustainability, Reputation and Institutional Relations Department, managed by Mr. Jordi García Tabernero.
- People and Organisation Department, managed by Mr. Enrique Tapia López.

In addition, there are specific committees for different matters, including the Energy Balance, Risk and Commercialisation Committee, which is responsible for monitoring the evolution of energy commodities (gas and electricity, CO<sub>2</sub>, etc.) and the evolution of the indices, as well as for making buy, sell and hedging decisions at management level; the Regulatory Committee, which is responsible for monitoring regulatory initiatives, both at national and international level and making the corresponding decisions, and the Ethics and Compliance Committee, which is responsible for supervising the operation and compliance with the Crime Prevention Model and other compliance models adopted by the Naturgy Group. The committees described above are composed of members of the management committee and part of the management directly reporting to them.

## Board of Directors

### Duties

[2-10], [2-12], [2-13] and [2-14]

The Board of Directors is responsible for carrying out whatsoever action that may be necessary for the fulfilment of the corporate purpose laid down in the Articles of Association.

The Board of Directors is also responsible for approving corporate governance and corporate responsibility policies. Its activities include preventive risk management and the consideration of aspects linked to corporate responsibility. Every year, through the compilation of the respective reports, it also reviews and approves the information on risks and opportunities in these areas.

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

- Non-delegable matters:
  - Those provided for in legislation as non-delegable.
  - Creation, investment and supervision of the management of personnel pension plans and any other undertakings involving personnel which imply long-term financial liabilities for the company.
  - The appointment and removal of senior managers who have a direct dependence on the Board or any of its members, as well as the introduction of basic conditions of their contracts, including their remuneration.

- The matters subject to an enhanced majority contemplated in section 4 of Article 7 of the Regulations.
- The approval of those related-party transactions whose competence has not been attributed by law to the General Meeting of Shareholders.
- Matters ordinarily non-delegable, but which may be adopted by the delegated bodies or persons, for reasons of urgency duly justified and which must be ratified at the first Board of Directors session held after the take-up of the resolutions, of which the following stand out:
  - The approval of management targets, the annual financing plan, the investment and financing policy, the corporate social responsibility policy.
  - The determination of the company's corporate governance policies, of the risk control and management policy, including tax risks, and supervision of the internal reporting and control systems.
  - The approval of the financial and non-financial reporting which, due to its status as a listed company, must be made public periodically by the company.
  - The approval of investments or operations of a strategic nature.

In accordance with the provisions of article 6 of the Board of Directors' Operating Regulations, the Chairman of the Board of Directors is responsible for convening Board meetings, ordinarily with at least five days' notice. The call is made via a digital platform and, in addition to the meeting agenda, the information corresponding to each item on the agenda is included for review by the directors in advance of the date scheduled for the meeting.

The Chairman submits proposals for the adoption of decisions on matters within the Board's competence at the appropriate intervals. During the course of the meetings, the Board deliberates on the items submitted for its approval, adopting them in each case in accordance with the required majorities.

The Company's chief executives have been invited to most of the meetings of both the Board of Directors and its Committees to present matters relating to their general managements or to respond to questions raised by the Directors on matters within their competence.

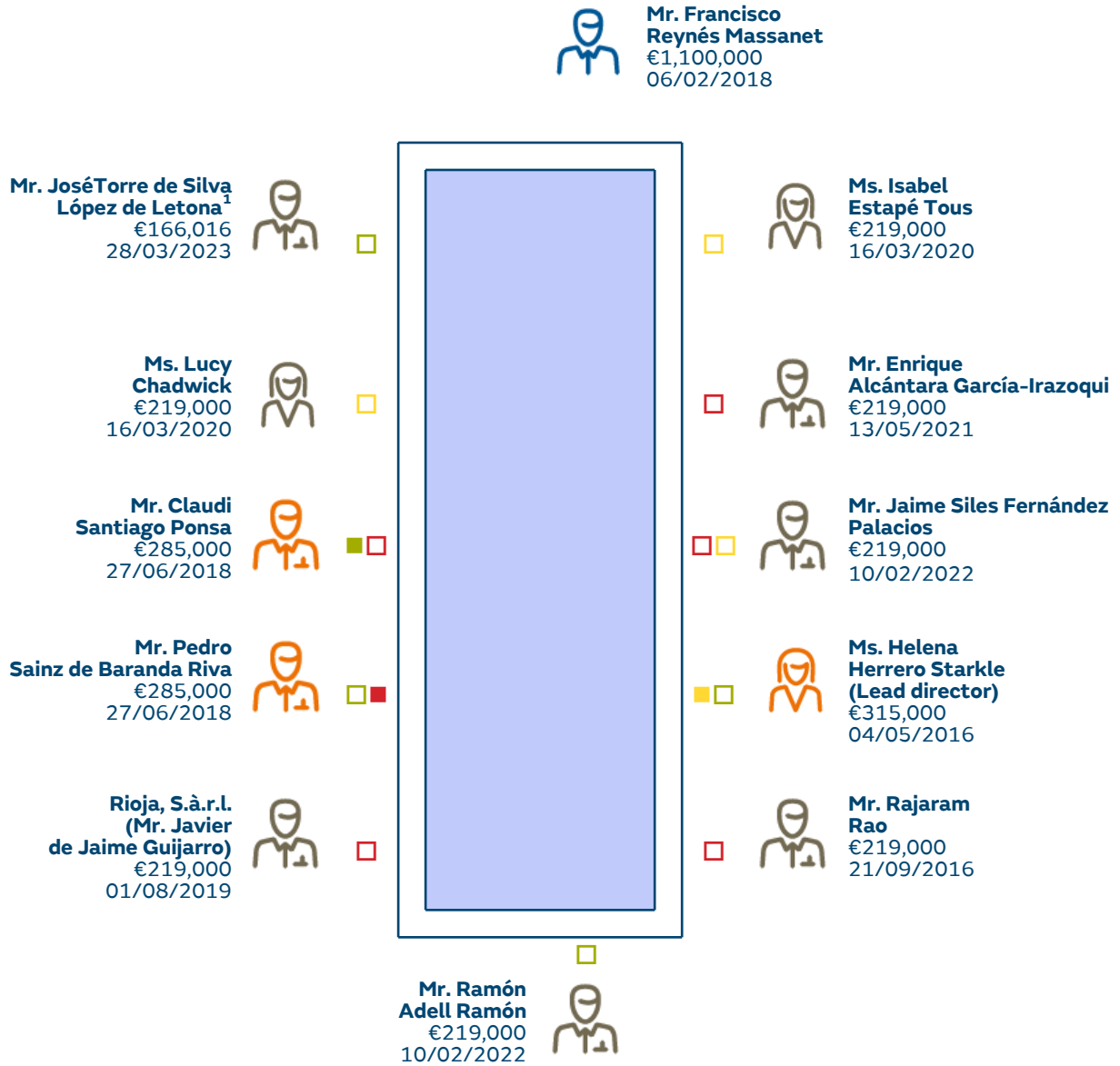
Both the deliberations of the Board of Directors and the resolutions adopted in each case are recorded in the Minutes drawn up for this purpose.

In 2020, Naturgy's Board of Directors agreed to create a new Committee, the Sustainability Committee, responsible for overseeing the company's evolution and role in the energy transition as well as in all its environmental, health and safety and social responsibility indicators.

The Sustainability Committee and the other specialised committees assume the competencies established by law and those entrusted by Naturgy's Board of Directors. Details of the functions and powers of each of these can be found in section C.2.1 of the Annual Corporate Governance Report 2023.

With regard to the functions performed by Directors in other entities, whether or not they are listed companies, the number of other positions, the significant commitments of each member and the nature of the same can be found in section C.1.11 of the Annual Corporate Governance Report.

▪ **Composition of the Board of Directors and its committees (at 31 December 2023)**  
 [2-9], [2-11] and [405-1]



**Type of director**

- Executive
- Proprietary
- Independent
- N/A

**Type of committee**

- Audit and Control Committee
- Appointments, Remuneration and Corporate Governance Committee
- Sustainability Committee

■ Chairperson of the Committee

□ Member of the Committee

(1) As of 28 March 2023, his appointment as individual director is formalised in substitution of the legal entity director Theatre Directorship Services Beta, S.à.r.l.

### Assessment and capacities of the Board of Directors

[2-18]

Pursuant to the recommendations laid down in the CNMV's Good Governance Code of Listed Companies and the Regulations of the Board of Directors of Naturgy, the quality and efficiency of the Board and of its Committees is assessed every year. Every three years, the assessment is carried out by an external consultant, whose independence is verified by the Appointments, Remuneration and Corporate Governance Committee.

In 2023, an external assessment process of the Board of Directors and its Committees was carried out by an external advisor of recognised experience.

As part of this assessment process, as well as a personal interview with the advisor, all Directors completed a series of questionnaires on the functioning of the Board and its Committees, in which they were asked to give their assessment on issues related to the structure of the board and its functioning, its work in supervising aspects such as internal audit, compliance, risks, or the monitoring of the company's strategic plan.

The process of evaluating and analysing the functioning and effectiveness of the Board was structured around the areas considered key by the external consultant, mainly those related to the structure and composition of the Board, the functioning of the Committees, the evaluation of the performance of the Chairman of the Board, the Chairmen of each of the Committees, the Coordinating Independent Director and the Secretary of the Board.

The assessment of each of the themes identified was addressed through a series of critical questions in the questionnaires submitted and in the individual interviews.

At its meeting held on 22 February 2024, the Appointments, Remuneration and Corporate Governance Committee agreed to implement over the course of 2024 some of the suggestions for improvement set out in the Assessment Report.

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

[405-1]

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.

▪ **Competence matrix**

[2-9] and [2-10]

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

**Type of director**

■ Executive. ■ Independent. ■ Proprietary.

**Experience**

■ Professional executive experience.  
 ■ Experience as a director or indirect executive experience.

Naturgy's Board Member Selection Policy, revised in February 2022, ensures that appointments are diverse and free from any implicit bias that could imply any discrimination, and does not exclude any candidate on the basis of ideology, religion, belief, ethnicity, race, nation, gender, sexual orientation, family situation, illness or disability.

As vacancies arise on the Board or as Directors' terms of office expire, and always with full respect for the shareholders' right to proportional representation, the company will deliberately seek and include among the potential candidates women who meet the professional profile sought, ensuring that the number of female directors is in line with the best practices established in both the CNMV's good governance recommendations and the European Directive on improving the gender balance among directors of listed companies and related measures. The Appointments, Remuneration and Corporate Governance Committee will implement measures to ensure that this is achieved and to encourage the appointment of a significant number of women managers in the company.

Regarding the selection of candidates to become members of the Board, the process is based on an assessment by the Appointments, Remuneration and Corporate Governance 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 (%)

[2-9]

	2023	2022
Under 55 years of age (%)	25	25
Between the ages of 55 and 60 years (%)	33	33.3
Over 60 years of age (%)	42	41.6
<b>Total (%)</b>	<b>100</b>	<b>100</b>

#### ▪ Average remuneration of Directors (thousands of euros)

	2023		2022	
	Men	Women	Men	Women
Executive <sup>(1)</sup>	1,100		1,100	
Independent/Proprietary	236	251	238	253

<sup>(1)</sup> It does not include remuneration for executive functions.

#### ▪ Remuneration ratios within the organisation

[2-21]

	2023	2022
Ratio of annual total remuneration of the highest paid person in the organisation to median annual total remuneration of all employees <sup>(1)</sup>	86.7	89.7
Ratio of the percentage increase in annual total remuneration of the highest paid individual in the organisation to the median percentage increase in annual total remuneration of all employees <sup>(1)</sup>	0.6	N/A

<sup>(1)</sup> Excluding the highest paid person.

To calculate the ratio we take the fixed and variable compensation of all employees and countries in euros, calculate the median of the total annual compensation and calculate the ratio.

#### Remuneration model of the Board of Directors

[2-19] and [2-20]

Remuneration of Directors represents an issue of special 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 Board of Directors is responsible for determining the remuneration of each Director. For this purpose, it will take into account the functions and responsibilities attributed to each of them, their membership of Board Committees and any other objective circumstances it considers 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.

The Naturgy Directors' Remuneration Policy was approved by the General Meeting of Shareholders of the company, held on 15 March 2022, and is applicable to the same year in which it was approved and during 2023, 2024 and 2025. It establishes a remuneration framework aligned with the principles of Naturgy's Strategic Plan and aimed at promoting the long-term profitability and sustainability of the Company.

Specifically, the annual variable remuneration of those Directors who perform executive functions is linked to the achievement of a combination of pre-set, specific and quantifiable targets, aligned with Naturgy's corporate interest and strategy, such as economic-financial variables, efficiency and profitable growth, quality and safety issues, sustainability, environment or good governance. The detail of the components that make up the fixed and variable remuneration of the Directors is included in the Annual Directors' Remuneration Report 2023 as well as in Naturgy's Directors' Remuneration Policy.

## General Meeting of Shareholders

In the 2023 Ordinary General Meeting of Shareholders, the Annual Report on the Remuneration of Members of the Board of Directors for 2022 was approved by a majority vote, as follows:

Number of shares that have cast valid votes	881,734,995
Total number of valid votes cast	881,734,995
Proportion of the share capital represented by valid votes (%)	56.42
Votes in favour (%)	62.05
Votes against (%)	3.99
Abstentions (%)	33.96
Quorum of attendance at the General Meeting of Shareholders (%)	91.85

The results of the vote can also be found on the company's website.

### Issues dealt with at the General Meeting of Shareholders

The quorum of attendance at the meeting represented 91.9% of all Naturgy shares.



<b>Issue</b>	<b>Nature of the issue (economic, social or environmental)</b>	<b>Conclusions drawn</b>
[2-10]		
Approval of the Annual Accounts and Directors' Report of Naturgy Energy Group S.A. for the year ended 31 December 2022.	Economic	Approved by a majority
Approval of the Consolidated Annual Accounts and Directors' Report of the Consolidated Group for the year ended 31 December 2022.	Economic	Approved by a majority
Approval of the Consolidated Non-Financial Information Statement, included in the Consolidated Directors' Report of Naturgy Energy Group, S.A.	Social/Environmental	Approved by a majority
Approval of the allocation of profits for the year ended 31 December 2022.	Economic	Approved by a majority
Approval of management performed by the Board of Directors in 2022.	Economic/Social/ Environmental	Approved by a majority
Consultative vote concerning the Annual Report on the Remuneration of members of the Board of Directors.	Social	Approved by a majority
Re-election of Mr. Francisco Reynés Massanet as Executive Director.	Social	Approved by a majority
Re-election of Mr. Claudi Santiago Ponsa as Independent Director.	Social	Approved by a majority
Re-election of Mr. Pedro Sainz de Baranda Riva as Independent Director.	Social	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
Information on the modification of the Board Regulations.	Social	
Delegation of powers to supplement resolutions of the General Meeting of Shareholders.	Social	Approved by a majority

## 4. Risk management

[3-3]

(Business continuity)

### Risk management model at Naturgy

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

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

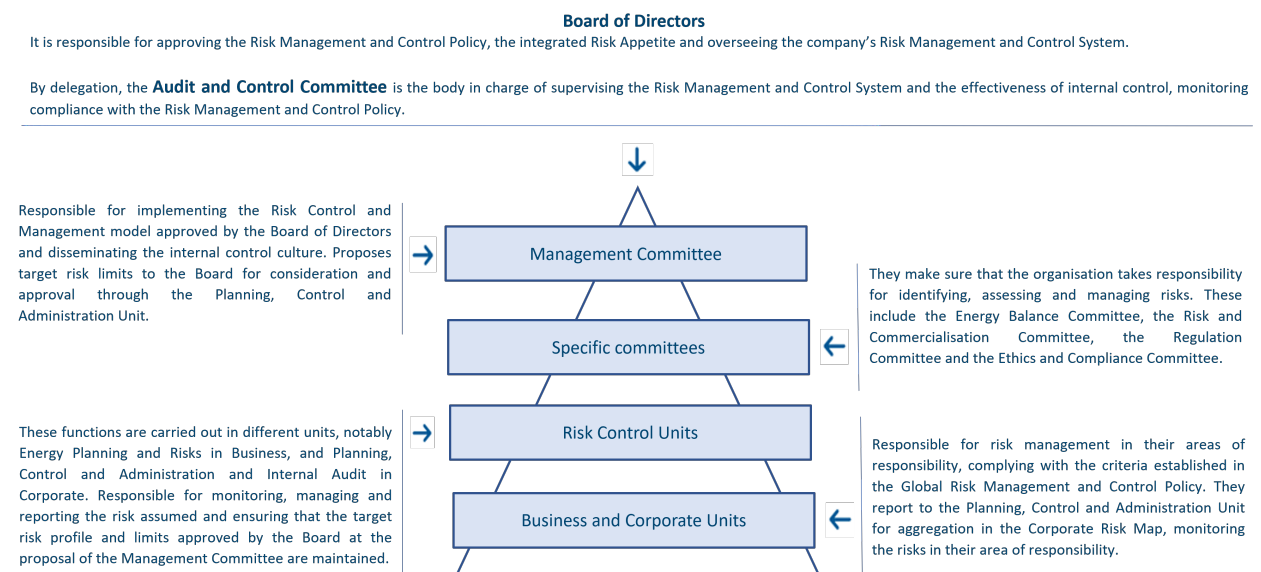
The Integrated Risk Management and Control System is structured in the following sections:

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

### Risk management bodies

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

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



In relation to the specific Committees, for different businesses and matters, the following stand out:

- The **Energy Balance, Risks and Commercialisation Committee**, which is responsible for monitoring the evolution of energy commodities (gas, electricity, CO2, etc.), the evolution of indices, as well as making purchase, sale or hedging decisions, which correspond to the management level;
- The **Regulatory Committee**, which is responsible for monitoring regulatory initiatives, both nationally and internationally, and related decision-making, and
- The **Ethics and Compliance Committee** which is responsible for supervising the operation of and compliance with the Criminal Prevention Model and the other compliance models adopted by the Naturgy Group. The committees described above are composed of members of the management committee and part of the management directly reporting to them.

The committees described above are composed of members of the Management Committee and other managers.

**Units with a Risk Control function:** A key task of the Risk Control function within each responsible business or corporate unit is the modelling of financial statements, aimed at identifying their main sensitivities and anticipating possible negative impacts and corrective or mitigating actions.

Of these units, which may be represented in the specific committees, the following stand out:

- Risk and Energy Planning is responsible for controlling, managing and reporting the level of risk assumed within its business, as well as maintaining the target risk profile and limits.
- Management Control, in the risk function, is responsible, among other things, for monitoring the risks reported by the rest of the company's units and preparing a global and integrated vision through the Corporate Risk Map.
- The Internal Audit unit, as a third line, examines through appropriate audits the level of compliance with the Risk Control and Management Policy.

The **Business and Corporate units** will report to the Planning, Control and Administration Unit on the monitoring of the risks in their area of responsibility.

## An integrated management

[2-23]

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:

- **Global Risk Management and Control Policy:** last approved by Naturgy's Board of Directors in November 2020. Its aim is to lay down the general principles and guidelines on behaviour to guarantee the appropriate identification, information, assessment and management of Naturgy's exposure to risk.
- **Follow-up of good practices** as set out in the ISO 31000 guidelines for risk management.
- **Corporate Risk Map:** identifies and characterises the risks to Naturgy's performance take into account the characteristics of the position at risk (impact variables, potential quantitative and qualitative severity, probability of occurrence and degree of management and control). It is periodically updated and presented by the corporate Management Control unit to the Audit and Control Committee.
- **Other risk maps:** promoted by Naturgy's Business and Corporate Units, at their discretion, in accordance and aligned with a common methodology, which serve as a basis for the Corporate Risk Map.
- **Risk Measurement System:** the metrics used for risk assessment depend on the nature of the risks:
  - Stochastic/probabilistic: probabilistic simulation of price deviations for a confidence interval.
  - Deterministic/scenario: expected impact of the event by its probability scenario.
  - Heat maps: qualitative risk analysis by factor.

- Non-financial stress tests: use of simulation to evaluate the response of assets, portfolios, or specific positions to adverse events that are not typically captured by traditional value or risk analyses. The objective is to assess the company's performance in scenarios involving exposure to non-financial risks, such as those related to climate change.

## Risks categories

Naturgy has defined five typologies in its Risk Map: Economic, Financial, Operational, Reputation/Sustainability and Strategic.

The categories for each risk typology are:

Economic	Financial	Operators	Reputational/ Sustainability	Strategic
Commodity	Credit	Operational	Reputation and ESG	Long-term commodity exposure
Exchange rate	Interest rate	Security	Compliance	Capital employed by geography
Regulatory	Taxation	Business continuity and crisis management	Customer satisfaction	Businesses risk profile
Volume	Liquidity	Fraud	Climate change	Exposure to soft currency
Margin / Price	Rating	Cybersecurity		Exposure to merchant businesses
Legal	Provisions and guarantees	Data protection		
		Environment and biodiversity		
		Health and safety		

For economic and financial risk categories, the quantitative model type is applied, while for operational and reputational/sustainability risk categories, different risk assessment methodologies apply, depending on their nature, such as heat maps or the application of international risk assessment frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), in the case of climate change-related risks, and, for biodiversity risks, the Task Force on Nature-related Financial Disclosures (TNFD).

### Economic and financial risk typologies

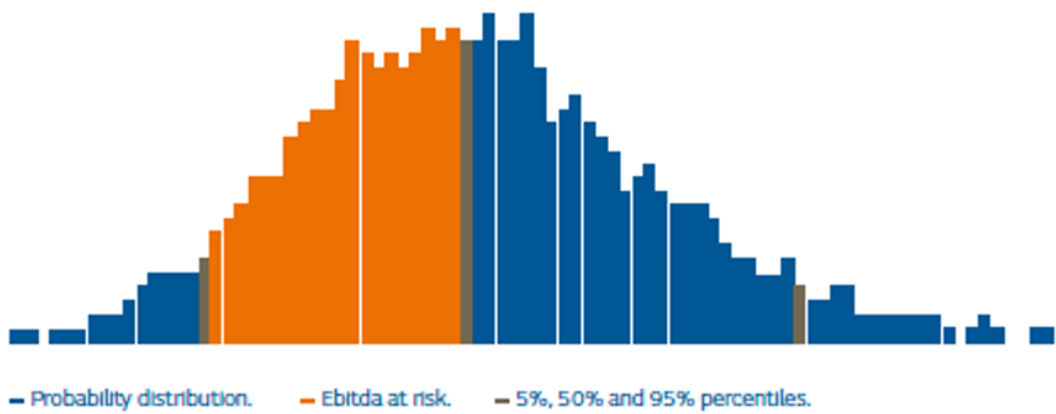
Risk factors with impact on business results and/or impact on the company's cash flow and balance sheet, caused by volatility of exogenous factors, modification of regulatory frameworks or variation of demand with impact on short-term results and by volatility of financial variables, potential impact of counterparties, modification of taxation frameworks or provisioning.

#### Commodity/exchange rate/interest rate risk

A random measure of the company's risk due to the variability of all energy and commodity and financial prices, such as the price of the currencies in which the company operates or the interest rates at which the company trades:

The risk or CFaR is calculated by taking the highest deviation at a predetermined confidence level of each of the market variables with respect to the reference scenario.

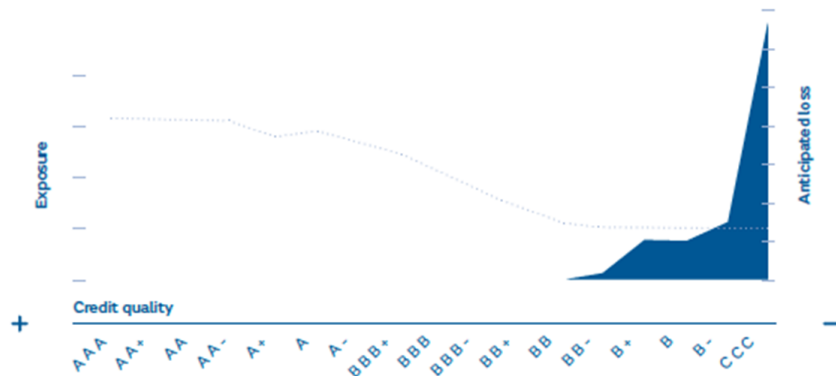
*Graphical representation of the distribution of the company's annual Ebitda, its expected value and associated risk*



**Credit risk**

The minimum amount of capital required to be held by an entity as a proportion of its asset base to meet the potential for default and depreciation of assets, in accordance with regulatory agency standards. In Naturgy, the target credit risk profile and the target expected loss are calculated. Worse levels of credit quality mean the company’s exposure has to be limited.

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



**Regulatory, volume, margin/price, legal and tax risks**

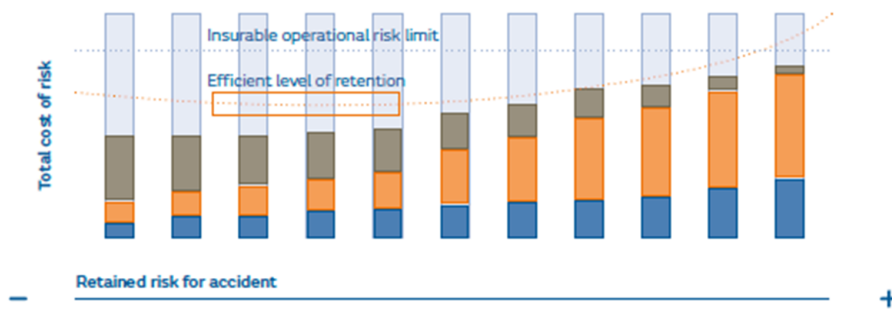
Measures that determine the company’s risk, defined as the potential variation in result due to various factors: adverse evolution of demand because of changes in temperature and/or macroeconomic worsening of a country, adverse revision of the regulatory framework of a business, impact on taxes due to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

## Operational and reputational/sustainability risk typologies

### Operational risk

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

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



### Environmental and biodiversity risks

It is the possibility that, as a result of the activities carried out and due to the occurrence of some event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, those arising from non-greenhouse gas (GHG) emissions, noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, impact on landscape, impact on cultural heritage, etc.

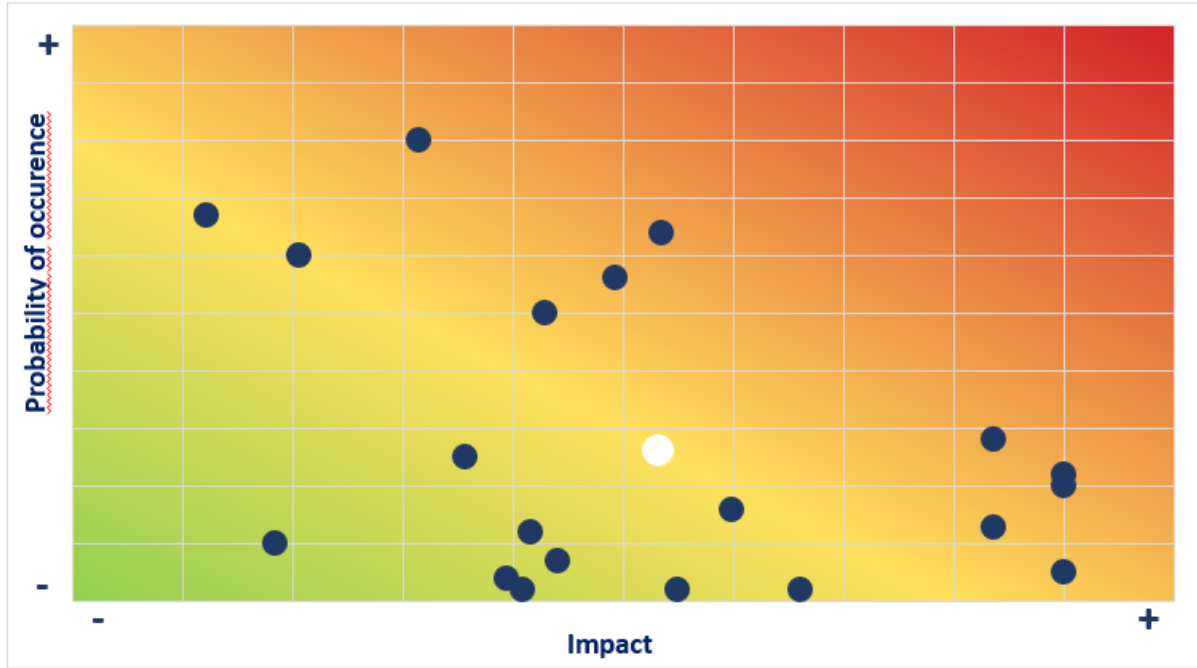
It also includes potential threats linked to the dependence of nature and the impacts generated on it. This includes, but is not limited to, physical impacts and impacts arising from changes in regulation, related to the destruction and/or alteration of terrestrial, aquatic and/or marine ecosystems, damage to protected or high value areas and/or species, encouraging the development of invasive species, impacts on areas of high water stress due to consumption, discharge and/or flow regulation and fires, etc.

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. Naturgy takes out specific insurance policies to cover this type of risk.

Biodiversity risks are explained in more detail in the chapter “The opportunity of environmental challenges” in section 5. Biodiversity and natural capital.

### Risks involving security, business continuity and crisis management, fraud, cybersecurity, data protection, customer satisfaction, health and safety, compliance and people

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



Representative risk assessment figure

Reputational and ESG risk

The consideration of ESG factors and sustainability criteria in decision-making has taken on particular relevance in recent years. This risk includes uncertainty in the evolution of stakeholder perceptions of the company’s reputation and its ability to develop sustainable business from an environmental, social and governance point of view.

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.

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.
- To develop products, services and projects aimed at the well-being of people and the economic progress of communities, offering solutions that mitigate the negative impacts that may occur in the energy transition and in contexts of energy price volatility.

### Climate change risk

[201-2]

On the one hand, those resulting from physical impacts, due to the increasing severity and frequency of extreme events (acute) or from a gradual and long-term change in the Earth's climate (chronic). On the other hand, those arising from the introduction of policies and transition commitments to achieve a low-carbon economy through major regulatory, market or technological changes.

They are explained in more detail in the chapter "The opportunity of environmental challenges" in section 3. Climate change.

### Strategic risks

The strategic risks described below are considered the most significant emerging risks with potential long-term impact:

#### Long-term commodity exposure (uncertain macroeconomic context uncertainty)

The macroeconomic landscape of recent years has been profoundly altered by highly complex events such as the pandemic and the rise of geopolitical tensions both with Russia's invasion of Ukraine and more recently with the conflict between Israel and Hamas. This alteration in the socio-economic landscape highlights the volatility and uncertainty of a future that, far from cooling down, tends to become more uncertain and tense, whether due to the different international actors or to geostrategic conflicts (China and the West).

This situation has global repercussions, with one of the most affected sectors being the energy sector, with potential increases in the price of natural gas and oil, and extreme volatility in daily prices.

Naturgy monitors the state and evolution of the geopolitical situation through continuous monitoring of macroeconomic and business variables, in order to manage risks and implement the measures promoted by the authorities. To this end, analyses assess the indirect impacts of conflicts on business activity, financial situation and economic results, with particular attention to the across-the-board increase in raw material prices and, where appropriate, the reduced availability of material supplies from affected areas.

To mitigate the effects of higher energy prices, a significant part of the gas supply contracts that expire in the long term have entered the ordinary price review period. In addition, since last year the Group has had an Energy Balance, Risk and Commercialisation Committee in charge of monitoring the evolution of energy commodities and their indices.

#### Supply chain volatility and dependencies

We live in a globalised world with interconnected and interdependent economies. This creates a highly vulnerable situation in supply chains, especially due to dependence on single sources, long delivery times, environmental and ethical risks, among other threats.

Naturgy has interests in countries with different political, economic and social environments, highlighting three geographical areas outside the European Union: Latin America, Middle East-Maghreb and China-Taiwan.

The Asian market is uncertainty factor given the current heavy dependence of the supply chains of processed renewable components on Chinese exports. On the other hand, interruptions in the supply chain of technology components to Europe, due to transport and distribution problems or direct import restrictions, could lead to increased material costs and/or delays in the start-up of ongoing renewable projects. These projects are necessary to maintain the strong growth of the company's investments in renewable energies foreseen in the approved Strategic Plan.

Naturgy has taken the following actions to mitigate the effects of this risk with our suppliers of photovoltaic panels, wind turbines and batteries:

- Carefully selecting our partners (Tier 1).
- Establishing medium-term contracts with our suppliers.



- Reserving production capacity with our suppliers/partners.
- Indexing contract prices to the evolution of raw materials such as steel and copper.

Likewise, at the end of the supply chain, a shortage of skilled labour is beginning to be detected among contractors. Accordingly, Naturgy has decided to take measures to ensure the construction of its facilities and thus avoid failure to meet deadlines, by ensuring the loyalty of engineering suppliers through, for example, the flexibility of contracts.

## Main opportunities and uncertainties

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. In this context, and based on the Strategic Plan 2021-2025, Naturgy's main opportunities are as follows:

- **Focus on stable, low-risk, hard currency geographies** to capture energy demand growth and maximise business opportunities in new markets.
- **Renewable generation:** increasing renewable generation capacity in line with the global energy transition.
- **Network operation and growth,** leveraged on solid regulatory frameworks with long-term visibility and focused on continuous improvement, digitalisation and automation.
- **New business developments and innovation:** development of innovation projects in hydrogen and its blending in gas networks, renewable gas, energy efficiency and sustainable mobility.
- **Natural gas and LNG supply portfolio:** continuous review and optimisation of supply contracts, continuous risk management to ensure predictable cash flows, and adaptation of the LNG carrier fleet to enhance its flexibility.

## 5. Security and privacy

[3-3]

(Cybersecurity and information security)

### Privacy and security of personal data

Naturgy has defined a Personal Data Protection Policy that ensures proper processing of this data throughout its life cycle, from collection and processing through to removal.

This policy is communicated to all employees and is developed in a regulatory corpus aligned with all legal requirements, standards and internationally accepted best practices governing the processing of personal data. This policy applies to all organisational units and companies of the company that collect or process personal data, as well as to partners and suppliers that collaborate in such processing.

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

### Actions to comply with legislation

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

- It processes personal data in a lawful, sincere and transparent manner.
- It collects data for specific, explicit and legitimate purposes.
- It minimises the data subject to processing.
- It updates the data, providing data subjects with simple systems for this update.
- It limits the data storage periods.
- It applies appropriate technical and organisational measures to guarantee the security, integrity and confidentiality of the data.
- It obtains the consent of the data subject for processing whenever necessary.
- It introduces simple and adequate mechanisms so that the data subject, directly or through their legal or voluntary representation, can exercise their rights pursuant to prevailing legislation.
- It chooses data processors that offer sufficient guarantees to apply appropriate technical and organisational measures so that data processing is carried out in compliance with the requirements of relevant legislation. In addition, it signs agreement with these data processes through which the data processor will only process data in accordance with the instructions given by the data controller, and will not apply the data or use them for any purpose other than the one set out in this agreement, and will not disclose them, even for safeguarding purposes, to third parties.
- It keeps a record of data-processing activity.
- It carries out the impact assessments it deems appropriate.
- It has a collegiate body that acts as Data Protection Officer.
- It performs audits to guarantee compliance with data protection regulations.
- It includes specific guidelines for action in the field of information and knowledge processing in the Code of Ethics. In this regard, all Naturgy employees and suppliers must comply with the legislation in force in each of the countries in the field of data protection, respecting the right to privacy and protecting the personal data entrusted by its customers, employees, suppliers and external collaborators or other persons. Failure to comply with the Code of Ethics may result in the application of appropriate sanctions.

In 2023, Naturgy received 110 requests for information from the Spanish Data Protection Agency, all of which were duly dealt with and, at the date of writing this report, none of them had resulted in a sanction.

	<b>2022</b>	<b>2021</b>
Requirements received from the Spanish Data Protection Agency (AEPD)	110	73

In relation to the evolution of the indicator of requirements received by the Spanish Data Protection Agency (AEPD), it is noteworthy the increase it has been experiencing in recent years, as a result of the increase in Naturgy's commercial activity and the higher level of awareness and awareness of the public in matters of personal data protection.

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

According to this regulation, personal data shall be collected for specified, explicit and legitimate purposes and shall not be further processed in a way incompatible with those purposes. Naturgy processes the personal data of data subjects in compliance with current data protection legislation, and therefore does not process personal data, whether for primary or secondary purposes, without an adequate basis of lawfulness for each purpose.

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

## Cybersecurity

### Cybersecurity Governance/IT Security

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

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

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

Naturgy uses the BitSight Index, which allows organisations to examine their cybersecurity and compare it with that of other companies to determine the level of performance in this area. This indicator is changing the way organisations manage their information security by providing objective, verifiable and actionable security scores. In 2023, Naturgy obtained an average score of 780 on this index, which is based on a scale of 250 to 900, with 250 being the most basic and 900 the most advanced.

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

## Cybersecurity measures

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

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

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

As regards cyber intelligence tasks, Hunting teams and CyberSOC (Security Operations Centre) have continued to integrate new sources of cyber intelligence, as well as new use cases aligned with the MITRE Matrix, enabling early detection. In addition, and as a final step in this process, the company has defined a protection plan, consisting of the mitigation of those use cases that could be exploitable on its infrastructure, thus guaranteeing the minimisation of potential damages.

In addition, roles and responsibilities have been assigned in a global incident response plan—aligned with the crisis management plan—and end-user protection tools have been deployed. The capabilities of the threat hunting team, which analyses the environment, identifies new attack trends and thus enriches SOC's capabilities, have also been expanded.

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

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

## Process and infrastructure

In the event of a cyber incident, and depending on its level of criticality, Naturgy mobilises and executes the appropriate levels of response, thus limiting its impact on the Group, the value of the share, service provision and customer confidence. It is worthy of mention that there have been no infrastructure incidents during 2023 that prevented business continuity.

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

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

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

Likewise, Naturgy carries out annual:

- Cybersecurity incident response simulation exercises for each of the geographies and businesses.
- Audits of the information systems infrastructure and information security management systems carried out by an external company in connection with the audit of accounts.
- A critical infrastructure applicability statement in line with the 2022 NIS2 Directive and the National Security Scheme (NSS).
- A cyberassessment for each business and geography, which allows the company to evolve its level of maturity year after year, proposing and executing new lines of improvement.
- Technical audits of the main suppliers.

More specifically, the Group conducts monthly vulnerability analyses of cybersecurity measures through various practices and tools such as vulnerability scanning (VTS) on the infrastructure, Pentest and Pentera runs, or the development of the “Crash testing” methodology.

### Protection of strategic assets at Naturgy

[IF-EU-550a.1] and [IF-EU-540a.2]

Throughout 2023, 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 public and private bodies involved in these infrastructures.

During 2023, there have been no incidents of non-compliance with the Group’s regulations.

#### ▪ Integrity of gas supply infrastructure

[IF-GU-540a.2], [IF-GU-540a.3] and [IF-GU-540a.4]

	2023					2022				
	Spain	Argentina	Brazil	Chile	Mexico	Spain	Argentina	Brazil	Chile	Mexico
Cast iron or puddled iron distribution pipes (%)	2	0	1	0	0	2	0	2	0	0
Unprotected steel distribution pipes (%)	0	0	5	0	0	0	0	5	0	14
Gas transmission pipelines inspected (%)	100	100	47	0	0	100	100	36	0	N/A
Gas distribution pipelines inspected (%)	50	74	89	0	100	49	80	68	7	89

NB: no data available for Chile.

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

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

## Nuclear power stations

Naturgy owns a percentage of several operational nuclear power stations in Spain and the José Cabrera nuclear power station, a facility that operated between 1968 and 2006 and is currently in the decommissioning phase managed by the public company ENRESA.

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

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

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

Due to the percentage of ownership of the nuclear power stations, Naturgy does not have direct responsibility for operational management.

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

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

No other considerations should compromise the security of the company's facilities. The company model that CNAT includes and which is shared by Naturgy, is aimed at ensuring the fulfilment of its mission through values shared by all the people who work for these power stations, which are materialised in certain behaviours in their day-to-day activity. CNAT's mission, like Naturgy, is to produce electricity in a safe, reliable, economic and environmentally friendly manner, guaranteeing production through the optimal operation of the Almaraz and Trillo power stations. CNAT's vision is to place the Almaraz and Trillo power stations among the benchmark facilities in terms of safety, quality and costs, by means of a management model in which the development and participation of people makes it possible to achieve higher levels of safety, productivity and efficiency. To achieve this Mission and move towards the horizon established by its Vision, CNAT develops its strategy around the following strategic pillars:

- Safety
- Operational efficiency
- Long-term reliability and operation
- Organisational excellence
- Nuclear professional

Regarding "Safety Culture" CNAT assumes the IAEA definition of Safety Culture as the assembly of characteristics and attitudes in organisations and individuals which establishes that, as an overriding priority, nuclear power station safety issues receive the attention warranted by their significance. To reinforce this, CNAT develops a Safety Culture Programme that includes periodic external and internal assessments, with a methodology that allows the state of the safety culture in the organisation to be diagnosed.

In terms of quality, the commitment shown by CNAT is intrinsic to all its activities and is the main source of trust with owners, social environment, workers and collaborating companies. Since 1995, CNAT's commitment to quality has been recognised by the Spanish Association for Standardisation (AENOR) through the awarding of the official certificate proving that our Quality Management System complies with the UNE EN ISO 9001 standard for the production of electricity from nuclear energy. CNAT voluntarily requests international assessments to know the degree of excellence of the organisation, such as the WANO Technical Support Mission (TSM) or the INPO Technical Exchange Visits (TEV), in which specific aspects with reference to the best practices of the industry are evaluated.

CNAT is also committed to respecting the environment and has received the ISO 14001 Environmental Management certificate, which proves the conformity of CNAT's environmental management system with the requirements established by AENOR. On the other hand, the environmental policy drives the application of the Environmental Management System and the continuous improvement of its performance, reflecting the Management's commitment and constituting the guiding principle from which the annual programmes of objectives and, in general, all the company's activities in relation to the environment originate.

## 6. Integrated and responsible management

### Integrated management system

For years, Naturgy has had an integrated quality, environment, health and safety management system (IMS), certified according to the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards. This system is audited externally every year. In 2023 these audits were conducted by AENOR and TÜV Rheinland for all businesses.

The scope certified by this system is the management of:

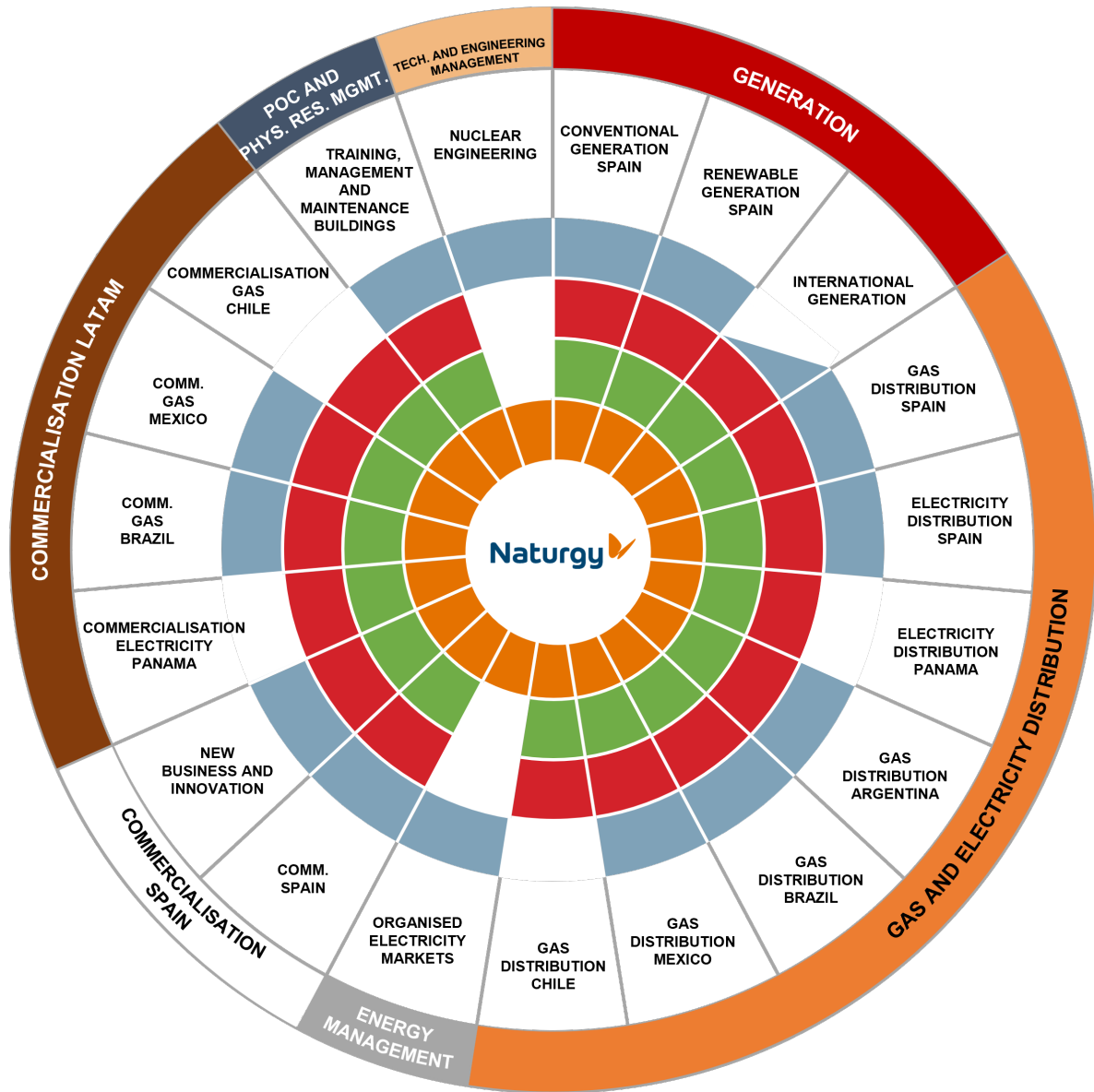
- Electricity generation (thermal, hydraulic and renewable sources origin).
- Distribution of natural gas and electricity.
- Commercialisation of natural gas and electricity.
- Development and execution of engineering projects.
- Energy management in organised Iberian electricity markets.
- Corporate training activities.

As part of the IMS, the Healthy Organisation Integrated Management System AENOR also audits and certifies annually the units in Spain, Argentina, Brazil, Chile, Mexico and the Dominican Republic, in accordance with the Healthy Organisation Model.

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



Quality, environment and health and safety certifications  
Ed. 37 (13/04/2023)



- Quality (ER) – ISO 9001
- Environment (EM) – ISO 14001
- Health and Safety (OSH) – ISO 45001
- Healthy Organisation (HO) - Healthy Organisation Model

## 7. Supply chain

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.

Suppliers are selected through objective and impartial assessment mechanisms, which ensure that the supply chain complies with the principles set out in the Supplier Code of Ethics. All suppliers must adhere to this Code and its content stems from Naturgy's Code of Ethics, Human Rights Policy, Health and Safety Policy, Environmental Policy and Anti-Corruption Policy, as well as internationally recognised principles of good governance.

This is because the risks to the company extend beyond its activity, as it can be severely impacted by an inadequate activity by 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.

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, ensuring a uniform, efficient and sustainable model that goes beyond regulatory compliance with legislation.

Naturgy's commitments in relation to its supply chain are as follows:

- Extending Naturgy's culture to the supply chain, transmitting the objective of excellence in service, efficiency in resources and compliance with the company's principles of responsible action. Encouraging the incorporation of sustainability criteria in 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, thus supporting the generation of a positive social impact.
- Fostering practices that encourage traceability and fair trade of raw materials at source.

### Naturgy suppliers according to the nature of their activity

[2-6]

In 2023 the total amount awarded to suppliers was Euros 2,802 million. These data include information from Argentina, Australia, Brazil, Chile, Costa Rica, the Dominican Republic, Israel, Italy, Mexico, Panama, Spain and the USA. The remaining data and indicators of the supply chain that appear in the report do not include information on the Renewable Business in the United States, Dominican Republic, Italy, Brazil, Chile and Israel, countries corresponding to new Businesses and representing 16.04% of the total volume awarded, nor that for the last four months of the year for the Spanish Gas Networks Business, due to the lack of detailed information due to the implementation of a new computer system and representing 0.36% of the total awarded.

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, maintenance and material supply of power stations
- Commercial management services.

The remaining third corresponds to suppliers providing complementary support services to the general activity. This activity was carried out mainly in Argentina, Australia, Brazil, Chile, Mexico, Panama, Spain and the USA, and to a lesser extent in Costa Rica, the Dominican Republic, Israel, Italy and the USA.

In 2023 Naturgy established business relationships with a total of 5,678 suppliers.

## Management of the supply chain

[2-6]

### 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 these functions are centralised ensuring a global coordination that makes it possible to identify improvement opportunities.

The company supports the generation of positive social impact 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.

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.
- ESG Scoring.
- Reputational and economic-financial analysis.
- ESG audits.
- Environmental Questionnaires.
- Performance monitoring.
- Development of suppliers.
- Reputational monitoring of suppliers.
- Inclusion of the climate change variable in 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

<b>Corporate Responsibility Policy</b>	It establishes commitments, actions and indicators for the responsible management of the company's supply chain.
<b>Supplier Code of Ethics</b>	Since 2016 all group suppliers have to adhere to the Supplier Code of Ethics.
<b>Human Rights Policy</b>	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 2023, no breach of human rights at suppliers was detected.
<b>Transparency in purchases and communication with suppliers</b>	<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"> <li>– The use of secure electronic means for management of all tenders brings greater transparency to the procurement process and ensures information traceability.</li> <li>– Communication channels with the supplier that facilitate access to all the information necessary for their participation in the procurement processes <ul style="list-style-type: none"> <li>▪ A specific section for suppliers on the Naturgy website.</li> <li>▪ The Supplier Portal, an online platform for transferring technical regulations to the supplier, notifying updates and managing orders.</li> <li>▪ The Supplier Channel is the online tool available to the supplier to sort out any doubts or incidents or for any queries or suggestions.</li> </ul> </li> </ul>
<b>Reporting channel</b>	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.

### Measuring the carbon footprint in the supply chain

In terms of environmental sustainability, Naturgy has decided to go a step further by applying, from 2022 onwards, a new criterion in procurement processes which includes a progressive assessment of the measurement of the carbon footprint of its suppliers in the bidding process as well as a performance assessment of the companies it works with.

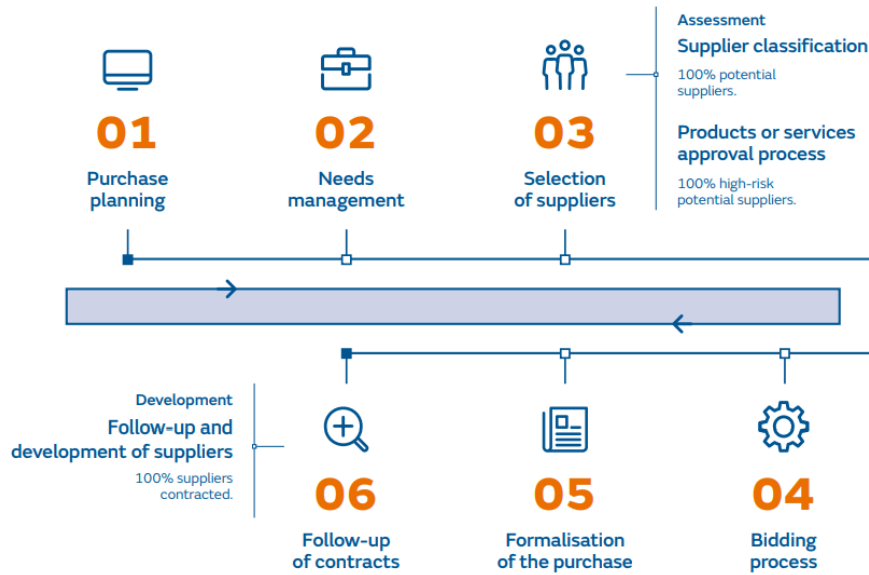
In 2023 it became mandatory to have a carbon footprint certificate in tenders for services or products with a high risk of climate change or with a large volume of purchases. In addition, for the remaining tenders, the possibility of voluntarily including a certificate verifying the measurement of its carbon footprint by an accredited entity as part of its technical offer is maintained, and that this is positively valued by Naturgy in the award decision.

In addition, since January 2022, Naturgy contractually requires that certain suppliers, depending on their risk derived from climate change or the amount of the contract for which they bid, report annually to the company on their degree of performance in climate matters through the completion of the CDP Supply Chain questionnaire.

## 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 is based on unified and universal contractual conditions for the entire scope of the Group's activities, which include, among others, social, labour practices and human rights clauses, environmental requisites, anti-corruption clauses and ethical practices. 100% of contracts to suppliers based on the single contractual model include such clauses. 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
<b>Global Outsourcing Policy</b>	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.
<b>Global Suppliers Policy</b>	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.
<b>Counterparty Due Diligence Procedure</b>	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.
<b>Bidding process</b>	It includes the commitment to the fight against climate change among the aspects to be assessed in the selection of bids in order to identify the risks derived from climate change in Naturgy’s supply chain and to strengthen the knowledge and evaluation of supplier performance in terms of climate change.

### Risk management of the supply chain

[407-1]

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.

With the risk assessment of the 348 purchase categories that are managed worldwide, and after assessing the risks of 50 countries where the company usually contracts, we obtain the risk of each purchase category in accordance with its activity and the country where the activity is conducted.

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

The supplier evaluation, monitoring and follow-up processes take into account the specific risks of the energy sector (labour situation, human rights, emissions, pollution potential, etc.), the specific risks of the supply (labour situation, resource intensity, emissions, pollution potential, etc.), as well as the risks of the country in which the supply takes place.

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). Also included as non-substitutable critical supplier are technologists or suppliers of products or services that cannot be supplied by others or cannot be substituted, with which specific contractual conditions are established and validated by the specialised areas (Legal, Compliance, Cybersecurity, etc.) and which exceed Naturgy's Single Contractual Model.

#### Risk factors

- Health and Safety Risk: 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 if the supplier fails to comply with the expected or agreed quality levels, which could lead to service/product failures, delays in execution or delivery times, increased costs or low customer satisfaction.
- ESG Risk: existing risk of purchasing products and/or contracting services that are not environmentally friendly, which are manufactured or generated under socially unfair conditions, or using labour practices that are ethically incorrect.
- Climate Change Risk: potential impact resulting from exposure to climate on lives, livelihoods, health and well-being, ecosystems and species, economic, social and cultural assets, and services and infrastructure, relative to the capacity to mitigate or respond to such adverse effects.
- 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): 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.
- Financial Risk: 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: risk inherent in the processing of information assets, knowledge or data that are of value to the Group and that could result in the failure of strategic infrastructures, leakage of confidential information, or technological and telecommunications interruptions.
- Data Protection Risk: risk to the rights and freedoms of natural persons arising from the processing of personal data and which may cause physical, material or immaterial damage.



In 2023, the number of suppliers with a valid contract in critical activities was 1,422, representing 60.4% of the purchase volume. In addition, the company has identified 42 non-tier 1 critical suppliers (those who render services and/or provide products in tier 2 or above levels of the value chain), mainly corresponding to purchase categories of critical products that represent 0.87% 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.

Workers' rights are one of the aspects taken into account in the risk assessment. This aspect covers the following issues: work and free choice of profession or trade, freedom of association, collective bargaining, collective action, strike action, assembly, information, consultation and participation in the enterprise. In addition, the Supplier Code of Ethics sets out specific guidelines to be followed by suppliers in relation to, inter alia, freedom of association and collective bargaining. 96.37% of the purchase volume awarded by Naturgy has the acceptance of the supplier's code of ethics.

**Process map and sustainability criteria included in the ESG risk matrix**

Risk Factors Environment	Risk Factors Good Governance	Risk Factors Social
Climate change. Pollution. Biodiversity. Water. Soil. Landscape · Territory · Heritage. Consumption of resources. Waste.	Fraud. Corruption. Competition. Terrorism. Professional ethics. Regulatory compliance.	Community well-being. Human Rights. Employee rights. Data protection. Safety and quality of products. Freedom.



**ESG Risk Map** (activity/country)

High level | Medium level | Low level

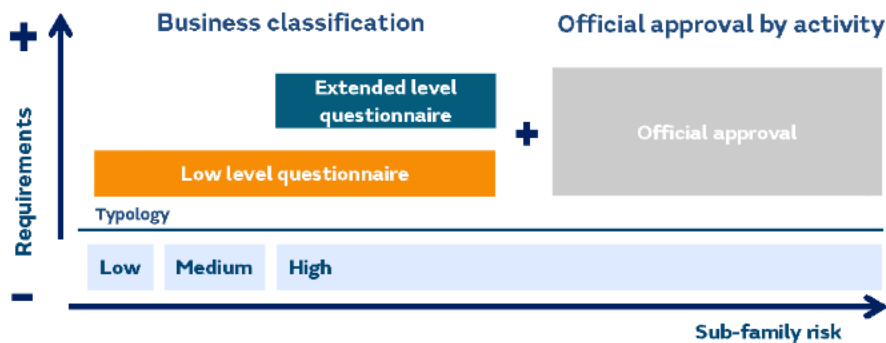
In this way, Naturgy identifies the suppliers with high risk in sustainability, considering those that reveal a high risk level in the Health and Safety and ESG factors. In 2023 the number of suppliers in this category was 602, representing 44.5% of the total purchase volume. 97.01% of these suppliers 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 grids, electricity grids and power stations.

## Supplier assessment process

[407-1]

Supplier assessment consists of business classification and approval processes by activity.

### Risk map by purchase category



## Business classification of suppliers

[409-1] and [414-1]

Based on the evaluation of compliance at company level with Naturgy's requirements in the different risk factors through questionnaires and requests for evidence from suppliers using the Achilles-Repro platform, whose assessment is based on the standards and methodology defined by the community of utilities in southern Europe and South America. All suppliers must pass this process before maintaining commercial relations with Naturgy.

The supplier business classification model establishes:

- A basic level for suppliers with medium and low risk that ensures their adherence to the Naturgy's Supplier Code of Ethics and the declaration of compliance with the main legal, tax, organisational, environmental, social, health and safety, cybersecurity, compliance, quality and personal data processing criteria required by Naturgy.
- An extended level, for high-risk suppliers, which additionally requires an extended questionnaire and evidence of financial, sustainability, health and safety, and compliance information.

The company classification process also obliges all suppliers to declare compliance with minimum social, health and safety and labour practice requirements, and the abolition of traditional and emerging practices of forced labour and child labour.

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

In 2023 Naturgy has conducted the ESG assessment of 5,837 suppliers, including potential and active ones. The latter have to be assessed on an annual basis.

The result of the process shapes a suppliers tree in which they are classified in accordance with the categories for which they are able to supply services or products, and according to the associated risk level. The weight of sustainability issues raised to high-risk level suppliers during the business classification process represents 67.3% of the total and compliance and cybersecurity issues represent an additional 15%. The social factor takes into account not only the social aspects characteristic of the supplier's activity or product (community well-being, human rights, workers' rights, data protection, product safety and quality, freedom), but also the country risk where the work is carried out. Failure to comply with the established social minimums may be grounds for exclusion of the supplier.



In the countries of the Group with the supplier classification model implemented through the Achilles platform, all new suppliers have to pass selection filters according to social criteria. It is a prerequisite for a supplier to maintain a contractual relationship with Naturgy. If all the Group's countries are taken into account, including those in which this platform is not implemented, in 2023 the percentage of new suppliers that have passed selection filters according to social criteria was 83.85%.

For high-risk suppliers, RePro has a specific sustainability and compliance module and an objective scoring system that uses evidence to classify suppliers according to their sustainability performance. Suppliers with less advanced practices receive customised reports with recommendations for improvement. In addition, all providers can access the ESG benchmarks display against the community average. This allows them to visualise their performance in relation to that average, enabling them to take action to improve where they have room for improvement or to reinforce the ESG strengths they have already established.

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

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

#### Official approval and management of supplier quality

[409-1]

At Naturgy, all suppliers that perform critical activities —those defined with a high risk in any of the ESG, Quality and Health and Safety risk factors— must be approved.

This process is based on audits carried out by Naturgy employees or contracted consultants, conducted at the supplier's facilities or on-site, depending on the criticality, to verify compliance with the specific requirements defined for the service or material. If anomalies are detected during the audits, corrective actions must be introduced within the deadlines agreed between Naturgy and the supplier, and this deadline is always less than one year.

The company also approves, and therefore conducts audits managed by Naturgy employees or contracted consultants, non-tier 1 suppliers corresponding to purchase categories of critical products, over which audits are carried out mainly based on quality-related aspects.

In 2023, 510 audits were performed on suppliers and subcontractors, of which 88 were conducted at their facilities (40 audits of approval and 48 inspections at source). If anomalies arise in the approval process, this may lead to a plan of corrective actions, or to the non-approval of the supplier, which would prevent such supplier from performing this activity for Naturgy.

65% of the approval audits carried out at the suppliers' premises has resulted in the need to submit a corrective action plan. On the other hand, in 2023, no supplier's approval has been suspended or withdrawn, nor has the contractual relationship been terminated for non-compliance with safety, quality and other requirements.

## Monitoring, follow-up and development of suppliers

### Monitoring of suppliers

- Criteria considered in monitoring:

<p><b>Corporate image and reputation</b></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 has been used to detect exposure to counterparty reputational risk and to make decisions based on the risk detected in coordination with the Compliance Unit.</p> <p>The monitored supplier base amounts to 6,419 at the end of 2023. In no case has there been evidence of an impact that has placed these suppliers at very high risk.</p> <p>In addition, reputational due diligence is performed on suppliers to analyse the alignment with Naturgy’s corporate responsibility commitments.</p> <p>In 2023, no supplier was disqualified on the grounds of fraud or unethical practices.</p>
<p><b>Economic-financial information</b></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:

<b>Environmental specifications</b>	<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>50.9% of the purchase volume from critical suppliers has an environmental management system with external certification.</p>
<b>Performance monitoring</b>	<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> <p>Health and Safety performance is also 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". These assessments results in corrective actions for those suppliers whose assessment does not reach the standard set by the company.</p> <p>In 2023, 906 performance assessments were conducted on suppliers from Argentina, Brazil, Chile, the Dominican Republic, Mexico, Panama and Spain, with a total of 582 suppliers being assessed. The results and classification obtained are reported to the supplier, also specifying their weak points and areas for improvement. In 2023, action plans have been agreed with 56 suppliers whose score in the performance measurement proved insufficient.</p>
<b>Documented Safety Inspections</b>	<p>At suppliers involved in activities classified as high Health and Safety risk, "Documented Safety Inspections" are carried out, which are audits performed on site by Naturgy employees or external consultants. In 2023, 20,181 documented safety inspections were carried out on the Group's suppliers and in 17.77% of these inspections, deviations were detected which generated the corresponding corrective actions in 100% of the cases for their resolution.</p>
<b>ESG audits</b> <small>[409-1]</small>	<p>Suppliers classified with a high risk level are required to provide documentary evidence, and for those whose assessments of the financial, people (working environment, hiring practices, working hours, occupational risk prevention), reputational, compliance and corporate social responsibility (ethics and integrity, non-discrimination, community engagement) risk criteria do not exceed the target parameters established by the RePro Community, on-site ESG audits are carried out by external consultants (Achilles) using protocols, standards and procedures defined by the Utilities Community of Southern Europe and South America. In 2023, ESG on-site audits were carried out on 68 of the Group's suppliers. In addition, Naturgy asks Achilles to carry out ESG audits on the suppliers with the highest purchase volume classified as having a high ESG risk. In 2023, 84.4% of high ESG risk purchase volume was audited.</p> <p>Suppliers with significant findings on social, environmental and governance aspects require a corrective action plan for their resolution. Suppliers have a maximum of one year, and in case of non-compliance or unsatisfactory resolution, the company may terminate the contractual relationship.</p>
<b>Performance on climate matters</b>	<p>Naturgy contractually requires suppliers categorised as high risk in climate change and with a large volume of contracted purchases to report their degree of performance in climate matters each year through questionnaires on the CDP Supply Chain platform, thus involving suppliers in the improvement of their environmental impacts. In 2023, 238 Naturgy suppliers were requested to report their information through CDP Supply Chain.</p>

For suppliers in critical procurement categories with current awards, self-assessment and quality control mechanisms are agreed upon prior to delivery of products or services, follow-up audits are conducted based on the risk level of the purchase category. The calibration of equipment is also checked and it is verified that the personnel who carry out high-risk activities are authorised or certified to carry them out, and accreditations or identifications are issued.

In addition, products corresponding to critical categories are subject to on-site inspections, technical acceptance and Factory Acceptance Tests (FAT) carried out by Naturgy employees or by consultants hired at the production centres, and in some cases, at non tier 1 suppliers.

### Development of suppliers

Naturgy's Corporate University, through its Extended Academy (EA), provides a training offer, both technical and managerial, to external collaborating companies, customers and suppliers. This encourages the improvement of operational efficiency, the incorporation of innovative methodologies and the development of skills aimed at 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 14,945 annual participants and 37,468 hours of training. The number of unique participants in 2023 was 7,923.

In order to contribute to the training of suppliers in ESG aspects, Naturgy is also a driving company of "Training Programme: Sustainable suppliers", in partnership with the Spanish UN Global Compact Network. This programme focuses on training SME suppliers of large companies in specific areas of the Ten Principles of the Global Compact and the Sustainable Development Goals (SDG). Thus, a total of 138 Naturgy SME suppliers in Argentina, Brazil, Spain, Mexico, Panama and Portugal had the opportunity to participate in this training programme.

Furthermore, as part of the supplier ESG capacity building programme, in 2023, a total of 238 suppliers from all Group countries were invited to the webinar held in collaboration with CDP for the disclosure of environmental performance with respect to climate change and a channel was provided for the resolution of queries in this regard.

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.

Within the framework of this strategic partnership and to promote collaboration with companies belonging to women, minorities or vulnerable groups, Naturgy has issued a communication to all suppliers in the EMEA area that have contracts in force with the company. The communication informs about the Naturgy Group Equality Plan 2023-2027 and highlights the company's commitment to the promotion of equal opportunities, rejecting any form of discrimination based on gender, sexual orientation, marital status, disability, age, race, political and religious beliefs, union membership or any other type of discrimination. The communication has also been published on the Group's website so that it can be consulted by new or potential suppliers.

## 06. The opportunity of environmental challenges



The Global Environmental Policy, applicable to all countries and businesses, and the Corporate Responsibility Policy, the company's highest-ranking policy in favour of sustainable environmental development, define Naturgy's environmental action around eco-efficiency, rational use of natural and energy resources, minimisation of environmental impact, promotion of innovation and use of the best available technologies and processes. They also establish Naturgy's voluntary commitment 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 generation and improvement of employment opportunities.

Naturgy's most immediate, specific and measurable responsibility towards the environment is set out in the Sustainability Plan, which establishes the objectives that guide the company in its daily performance, in line with the SDGs set by the United Nations and the Strategic Plan defined for the 2021-2025 period. On a more distant time horizon, with a view to achieving climate neutrality by 2050, the company is committed to investing today in sustainable activities, many of which are eligible under the European Taxonomy:

- Build new renewable generation facilities to reach an installed capacity of around 48.2% by 2025.
- Commit to carbon-neutral renewable gases with the aim of being able to produce or inject at least 1 TWh into the natural gas grids by 2025.
- Develop smart and adapted energy grids that play a key role in the energy transition.
- Protect biodiversity, which is partly affected by the climate challenge, and avoid the risk of net loss of natural capital as a strategic priority.

In line with the Paris Agreement targets, the company is committed to becoming carbon neutral by 2050 at the latest, reducing total Scope 1, 2 and 3 emissions in accordance with the 1.5°C - 2°C pathways of the Paris Agreement. To this end, Naturgy will work on four strategic environmental axes:

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

## 1. The opportunity of environmental challenges in 2022 at Naturgy

### Evolution and results

#### Responsible environmental management

	Target 2025	2023	2022	Base year 2017
<b>Driver 2. The opportunity of environmental challenges</b>				
Absolute GHG emissions Scope 1 and Scope 2 (million tCO <sub>2</sub> eq) <sup>(2)</sup>	11.0	12.9	15.1	21.8
Absolute GHG emissions Scope 3 (million tCO <sub>2</sub> eq) <sup>(2)</sup>	109.4	101.7	110.1	142.6
CO <sub>2</sub> intensity in electricity generation (tCO <sub>2</sub> /GWh) <sup>(2)</sup>	199	247	279	388
Installed capacity from renewable sources (%) <sup>(2)</sup>	48.2	37.0	33.7	22.0
Capacity free of emissions (%) <sup>(1)</sup>	51.1	41.0	37.5	26.0
Renewable gases (TWh) <sup>(2)</sup>	0.52	0.30	0.22	n.a.
Water consumption (hm <sup>3</sup> ) <sup>(2)</sup>	14.7	17.0	18.8	28.0
Intensity of water consumption in generation (hm <sup>3</sup> /TWh) <sup>(1)</sup>	0.31	0.39	0.40	0.60
Waste produced (kt)	110	115	94	824
Recycled or recovered waste (%) <sup>(2)</sup>	93	95	92	33
Atmospheric emissions SO <sub>2</sub> (kt) <sup>(1)</sup>	0.89	0.68	0.83	19.20
Atmospheric emissions NOx (kt) <sup>(1)</sup>	8.82	8.18	8.14	29.30
Initiatives to improve biodiversity (number)	350	353	345	n.a.
TNFD recommendations <sup>(3)</sup> implementation at corporate level (%) <sup>(1)</sup>	100.0	25.0	n.a.	n.a.
Activity with ISO 14001 environmental certification (% Ebitda) <sup>(4)</sup>	95.0	97.2	97.9	87.7
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	75	50	n.a.
Eligible Capex according to European Taxonomy (%)	80	79	67	n.a.

<sup>(1)</sup> Targets included in 2023 in the review of the 2025 Strategic Plan.

<sup>(2)</sup> Targets reviewed in 2023 in the review of the 2025 Strategic Plan.

<sup>(3)</sup> Task force on nature-related financial disclosures (TNFD).

<sup>(4)</sup> Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

#### Target pathways 2023

Target pathways act as benchmarks over time, providing guidance for assessing progress and allowing for adjustments as needed. Importantly, the target pathways are not necessarily end goals per se, but rather indicators of progress towards the 2025 end goal, taking into account the possibility of deviations and the need for adjustments during the process.

	2022 target value path	2023	2022
Direct GHG emissions Scope 1 (MtCO <sub>2</sub> eq/year)	12.0	12.5	14.7
Indirect GHG emissions Scope 2 (MtCO <sub>2</sub> eq/year)	0.4	0.4	0.4
Indirect GHG emissions Scope 3 (MtCO <sub>2</sub> eq/year)	105.2	101.7	110.1
Emission intensity in electricity generation (tCO <sub>2</sub> /GWh)	253.6	247.1	279.3
Emissions by leaks in gas networks (tCH <sub>4</sub> /km network)	0.21	0.21	0.24
Total volume of water captured from the environment (hm <sup>3</sup> )	802.4	776.7	920.6
Total water consumption (hm <sup>3</sup> )	21.1	17.0	18.8
Total spill volume (hm <sup>3</sup> )	781.6	759.8	902.0
Atmospheric emissions SO <sub>2</sub> (kt)	1.3	0.7	0.8
Atmospheric emissions NO <sub>x</sub> (kt)	8.7	8.2	8.1
Atmospheric particulate emissions (kt)	n.a.	0.1	0.1
Total waste (kt)	117.0	114.9	93.9
Non-hazardous waste (kt)	109.7	108.0	88.9
Hazardous waste (kt)	7.3	6.9	4.9
Recovery and recycling rate (%)	90.4	95.4	92.1

Throughout this chapter, the changes in the indicators in the year 2023 is analysed.

## Highlights of the year

### Governance and environmental management

Lines of action	Achievements and highlights in 2023
<b>Environmental management</b>	97.2% of Ebitda comes from industrial activities certified in environmental management by ISO 14001, which provides a solid and fundamental basis to guarantee the operational efficiency of the company in environmental aspects.
<b>Awards and recognition</b>	In 2023, there has been a 66% increase in environmental investments compared to the previous year and a 20% increase in expenditure, reaching Euros 1,092.8 million and Euros 222.8 million, respectively.

## Climate change and energy transition

[IF-EU-110a.3]

Lines of action	Achievements and highlights in 2023
<b>Carbon footprint reduction</b>	In 2023 there is a reduction of the total carbon footprint (scopes 1, 2 and 3) of 8.5% compared to 2022.
<b>Climate management</b>	Naturgy was externally recognised for its climate management, obtaining the A-rating from the CDP Climate, and has been present in the leadership band since 2011.  In Spain, 10,490 GWh of renewable electricity with guarantees of origin certified by the CNMC for more than 1.6 million contracts have been supplied, representing 59% of the energy purchased, and an increase of 6% compared to the previous year.
<b>Innovation in low-carbon energy products and services</b>	Although biomethane has been produced and injected into the gas grid for several years, for the first time in 2023 biomethane was marketed in Spain with guarantees of renewable gas origin, either its own or purchased on the market, specifically 7,596 MWh.  In 2023, Naturgy launched Naturzero, a new brand designed to accompany its customers in their decarbonisation objectives, through actions to mitigate and adapt to climate change, helping to position companies in a market that is increasingly aware of and values the most sustainable organisations and products. Naturzero will provide a comprehensive service to its customers, thanks to three associated products, to calculate, reduce and offset their GHG emissions.

## Circular economy and eco-efficiency

Lines of action	Achievements and highlights in 2023
<b>Efficient use of water</b>	Globally, in 2023 there has been a 10% decrease in water consumption, and a 16% decrease in water abstraction and discharge.  For areas of high water stress, where water management is a crucial issue due to its impact on availability and sustainable use, the positive trend is more pronounced. Compared to 2022, there is a 21% decrease in water abstraction in these water-stressed areas considering all sources (sea, reused, surface, etc.). The reduction is more relevant in freshwater abstraction, a 61% decrease, which means an improvement in the negative impacts linked to the use of this scarce resource.  On the other hand, in six of Naturgy's combined-cycle power stations, a total of 24.7 hm <sup>3</sup> of discharges from urban areas or other industrial activities have 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 4.1 hm <sup>3</sup> of fresh water in high water stress areas
<b>Water management</b>	In 2023, Naturgy achieved an outstanding A- rating by CDP Water, reflecting our commitment to responsible water management.
<b>Biomethane</b>	In 2023, the biomethane production capacity in own plants and injection into Naturgy's gas networks amounted to 0.30 TWh. The increase compared to the previous year shows our efforts in promoting this new circular economy model, which transforms organic waste into decarbonised energy.



## Biodiversity and natural capital

Lines of action	Achievements and highlights in 2023
<b>Task Force on Nature-related Financial Disclosures (TNFD)</b>	<p>The Task Force on Nature-related Financial Disclosures (TNFD) published in September 2023 its final Recommendations for the management and disclosure of nature-related risks to drive integrated assessment and corporate reporting of nature-related risks.</p> <p>Naturgy has initiated a project to assess natural capital and biodiversity in all its activities, as established in the methodology proposed by the new Framework. These recommendations have been followed in this report in the chapter on Biodiversity and natural capital, taking into account the information available at the end of 2023.</p>
<b>Progress towards no net loss of biodiversity</b> <small>[304-3]</small>	<p>353 biodiversity initiatives have been carried out at the international level, 22% of which are voluntary. Environmental restoration actions were carried out on 336 ha. 22% of this area corresponds to protected areas, habitats or species.</p>
<b>Environmental studies</b>	<p>186 studies have been conducted, particularly in the area of electricity generation facilities (thermal, hydropower and wind farms) and electric distribution in order to learn about and monitor the environmental and ecological status of the surrounding areas. In the case of thermal and hydropower plants, sampling campaigns have been carried out to determine the physical-chemical and biological quality of the aquatic environment (rivers, reservoirs, etc.), and concluded that the studied facilities had an acceptable impact on their environment.</p>
<b>Natural capital creation</b>	<p>The creation of the Naturgy forest has begun, through two initiatives. The first, in Galicia, was the recovery of a wooded area damaged by drought and pests (1 ha). The second, in an area of the Community of Madrid affected by a forest fire (7 ha), planting different native species to reduce the carbon footprint and expand the forest ecosystem. In both cases, biodiversity criteria have been considered in the selection of species.</p> <p>These projects are aligned with the 2021-2025 Sustainability Plan, and will have a triple positive impact: environmental, by contributing to the conservation of biodiversity, the reduction of climate impact and the generation of natural capital; social, by favouring rural development and the generation of employment; and economic, as it will boost sustainable investments and local growth.</p>

## 2. Governance and environmental management

### Governance

The Board of Directors, through the Sustainability Committee, is responsible for Naturgy's environmental governance. It proposes environmental objectives and guidelines, monitors that environmental practices are in line with the strategy and policy, and also monitors the evolution of the company's environmental performance by tracking key indicators and targets.

In addition, 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.

In this way, Naturgy demonstrates a serious commitment to responsible environmental management, based on the leadership of the management through the following premises:

- The Management Committee, led by the Chairman and senior management, regularly analyses proposals, monitors the performance and execution of 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 Department, which reports to the Sustainability, Reputation and Institutional Relations Department, and reports directly to the Chairman. This corporate unit defines the policies and standards to be followed and carries out high-level monitoring of the evolution and results of the action plans, indicators and environmental objectives. In turn, the different businesses and areas have specific environmental management units to ensure daily operations, compliance with standards and continuous improvement of processes.
- The Sustainability Committee, with representation from all areas of the company, monitors indicators and defines and promotes the projects and actions necessary to ensure compliance with the objectives of the Sustainability Plan, including environmental objectives.
- The Environmental Operating Committee, involving all businesses and geographies, coordinates the activities carried out by the different units, and guarantees the uniform implementation of criteria and the dissemination of good environmental management practices.
- The integration of the environment into business processes, in all phases, from strategic decision making to risk and opportunity management, planning, design and execution of activities.
- An externally audited environmental management system certified under ISO 14001, based on environmental indicators and objectives for detailed monitoring and continuous improvement of processes.
- Annual action plans aligned with the environmental objectives.
- Methodologies and specific tools for environmental management.
- Innovation in technologies and business products and models that are eco-efficient and less intensive in CO<sub>2</sub>.
- 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.
- Participation in associations and working groups aligned with Naturgy's environmental principles.

### Environmental management

Naturgy goes beyond compliance with legal requirements in environmental matters and adopts more ambitious actions and goals to maintain respect for the environment. The company is aware that to meet society's demand for energy while protecting the environment, it is necessary to understand, prevent, reduce and control the environmental impact of its activities. To this end, its Environmental Policy establishes the following principles around its strategic environmental axis of Environmental Governance and Management:

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

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

- Impact on climate change.
- Consumption of non-renewable raw materials<sup>1</sup>.
- Impact on biodiversity through loss of habitats and species<sup>1</sup>.
- Pollution of air, water and soil.

Based on the identification of significant effects, Naturgy performs environmental management based on the principle of prevention, taking into consideration the entire business value chain. For years, the company has had an integrated management system (IMS) for quality, environment, health and safety certified in its environmental component according to the requirements of the ISO 14001 standard and audited each year. This system is aimed at preventing pollution and reducing environmental impacts throughout the value chain by 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.
- Commercialisation of natural gas and electricity.
- Management of office buildings.

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

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<sup>1</sup>The section on Biodiversity and Natural Capital provides a detailed account of the main impacts derived from water management and on biodiversity.

## Processes by country with certified environmental management

	Electricity generation	Gas and electricity distribution	Commercialisation of natural gas and electricity	Management of office buildings
Argentina		■	■	
Brazil		■	■	
Chile		■	■	
Costa Rica	■			
Spain	■	■	■	■
Mexico	■	■	■	
Panama	■	■	■	
Dominican Republic	■			

■ Certified.

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

In 2023, 97.2% 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 and TÜV Rheinland.

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 countries:

- Salem, to identify, register, monitor and manage compliance with legal requirements.
- Prosafty, for the recording and management of findings, non-conformities, observations, incidents, accidents, opportunities for improvement, and the monitoring of environmental management goals and action plans.
- Damas, to identify and assess the company's direct and indirect environmental aspects.
- Enablon, for the registration and centralised management of environmental indicators.
- Carbon footprint.
- Geographical information system for biodiversity.

## Environmental risks<sup>2</sup>

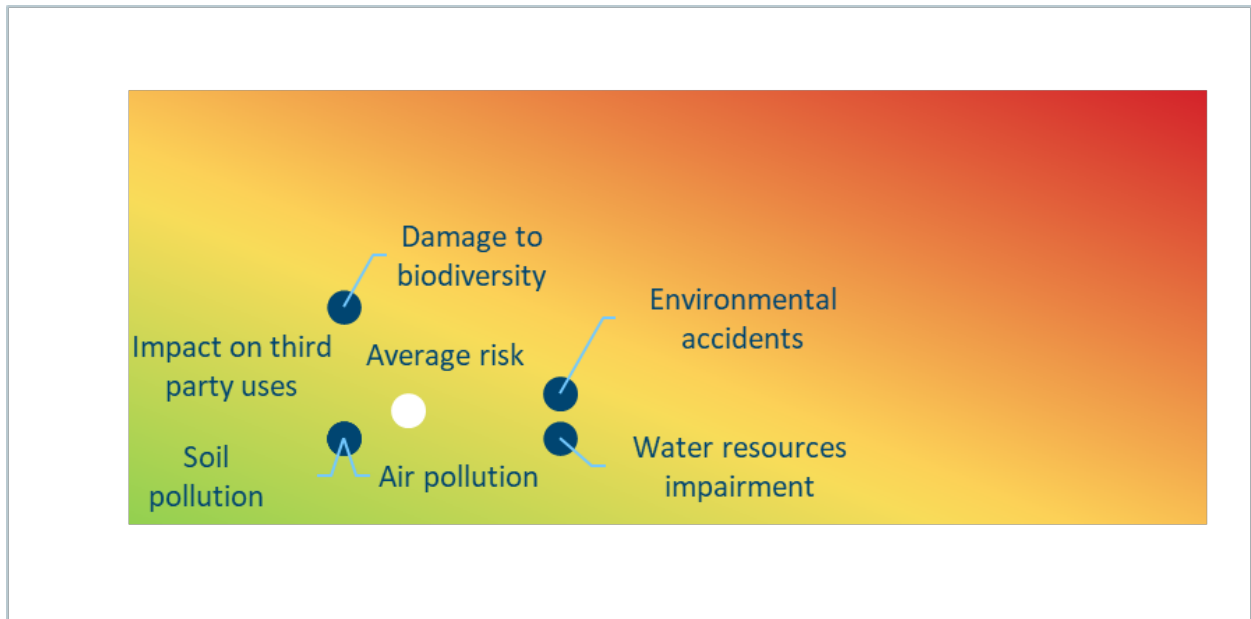
[201-2] and [306-3]

Naturgy has identified the environmental risks in its facilities by using the reference standard as its basis (UNE 150008 in Spain). At the design stage, the company also identifies environmental impacts and risks in the Environmental Impact Assessments it carries out for almost all specific projects and large-scale linear infrastructures. This is complemented by the carrying out in Spain of the Environmental Risk Assessments (ERA) carried out in the facilities where it is required, in compliance with Law 26/2007 on Environmental Responsibility and subsequent amendments, such as, for example, in all the combined-cycle power stations. With regard to climate, specifically, Naturgy assesses the physical and transitional risks derived from climate change that affect all its facilities, as detailed in the following section.

<sup>2</sup> Environmental, biodiversity and climate change risks are integrated into the overall model described in the chapter "Risk management"

Environmental risks are mentioned in this section. Section "Climate change and energy transition: TCFD Report" describes in detail the risks related to climate change and the section "Biodiversity and natural capital" elaborates on biodiversity risks.

With a focus on environmental risks, the following figure shows the most relevant risks, which Naturgy prevents through environmental management carried out under an ISO 14001 certified system. In addition, the company has emergency plans in facilities and warehouses at risk of environmental accidents, which in turn include action plans for eventualities, with means of containment and frequent drills.



The Prosafety tool, among others, is used to manage these risks. It enables reporting on any activity or geography that may cause damage to the environment as well as analysing smaller environmental accidents and incidents that do not cause significant harm, but from which lessons can be learnt and larger events prevented. Prosafety also facilitates identification, analysis, development, implementation and exchange of preventive measures and best practices in risk management across all areas.

It is also important to cover potential environmental risks financially, with a financial provision to ensure this coverage. For this reason, Naturgy has a series of insurance policies with environmental coverage.

- 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 720 million per loss event.
- Protection and indemnity insurance: maximum limit of US Dollars 500 million per loss event, in accordance with the Rules of the UK P&I CLUB 2018 (Charterers), to cover the liabilities for pollution arising from chartering vessels.

### Legal requirements and penalties

Naturgy continuously monitors environmental regulation in order to know, in advance, the impact it has on its activity. This makes it easier to define its positioning and adapt to new requirements. Monitoring is done using consultation and public information processes in the international, European and national context.

In 2023, there were no significant penalties (amount over Euros 10,000) in environmental matters.

## Environmental investments and expenses

For Naturgy, environmental protection is a priority activity that deserves all means and economic resources without exception. For years, the company has been reporting environmental investments and expenditure according to its own methodology and, since 2021, it has also reported economic information according to the Taxonomy Delegated Regulation, available in the section “Sustainable Finance”.

The environmental actions carried out in 2023 have reached a total of Euros 1,315.6 million (Euros 846.1 million in 2022), of which Euros 1,092.8 million correspond to environmental investments (including investments resulting from business combinations) and Euros 222.8 million to expenses incurred in the environmental management of the facilities, excluding those resulting from the European regulated carbon market (ETS). Of specific note are the investments in new renewable energy projects, which will contribute to the energy transition and reduce direct emissions of CO<sub>2</sub> and other atmospheric pollutants.

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

### ▪ Environmental investments (million euro)

	2023	2022
Governance and environmental management	0.3	0.1
Climate change and energy transition	1,077.4	648.4
Circular economy and eco-efficiency	6.3	5.3
Biodiversity and natural capital	8.8	6.2
<b>Total</b>	<b>1,092.8</b>	<b>660.0</b>

### ▪ Environmental expenses (million euro)

	2023	2022
Governance and environmental management	52.0	47.3
Climate change and energy transition	164.0	131.9
Circular economy and eco-efficiency	3.7	3.5
Biodiversity and natural capital	3.1	3.4
<b>Total</b>	<b>222.8</b>	<b>186.1</b>

## Environmental training

To prevent and reduce negative impacts on the environment and improve control of operations, environmental training is another of the company’s key tools. Thus, Naturgy places special emphasis on training its employees by providing 3,656 hours of training to 1,016 participants in 2023, with a performance of 269.6% and 268.8% respectively with respect to the hours and participants planned. This indicates that 13.6% of workers in all locations received training (internal or external) on environmental issues.

## Supply chain

One of the fundamental elements in the management of sustainability and the environment in Naturgy is the supply chain, i.e. suppliers, providers and external collaborators. Accordingly, the global purchasing and supplier management model (described in detail in section “Supply chain”) takes into account environmental criteria, including matters such as climate change, atmosphere, water, soil, landscape, territory, heritage, resource consumption, waste production and biodiversity.

The model is further complemented by specific tools such as CDP Supply Chain, which enables suppliers to be involved in Naturgy’s climate action through the exchange, integration and analysis of key environmental indicators.

### 3. Climate change and energy transition: TCFD Report

[3-3]

(Climate change and energy transition)

The global energy transition is the great challenge to be met in order to reduce greenhouse gas (GHG) emissions and contribute to slowing down the climate change affecting the world.

Naturgy is committed to being one of the key players in the energy transition towards a circular and decarbonised economy model. To this end, its Environmental Policy establishes the following principles around its strategic environmental axis of climate change and energy transition:

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

In line with these principles, the company has adopted the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) since 2017. The TCFD aims to improve disclosure of climate-related risks and opportunities and to provide stakeholders with the information necessary to conduct consistent analyses of the potential financial impacts of climate change.

At the end of 2023, the TCFD announced that it was disbanding as a working group, and the International Sustainability Standards Board (ISSB) has taken over the monitoring responsibilities of the TCFD from 2024.

Naturgy recognises the value of the recommendations, an important catalyst for the dissemination of information on climate change, and continues to work to align and improve the dissemination of qualitative and quantitative information with the four core elements of the TCFD: governance, strategy, risk management, metrics and targets, set out in the report Recommendations of the Task Force on Climate-related Financial Disclosures, published in June 2017.

#### Climate change governance

The Board of Directors, through the Sustainability Committee, is responsible for Naturgy's environmental governance, particularly with regard to climatic change. It proposes environmental objectives and guidelines, monitors that environmental practices are in line with the strategy and policy, and also monitors the evolution of the company's environmental performance by tracking key indicators and targets.

The Sustainability Committee meets, whenever necessary, to issue reports or proposals within its competence, whenever its chairman deems it appropriate or when two of its members request it. In any case, the Committee must meet at least three times a year to monitor climate change and energy transition performance using the high-level indicators scorecard.

Its functions include monitoring the evolution of the Sustainability Plan indicators and, specifically, the specific climate change indicators - Scope 1, 2 and 3 emissions, intensity of emissions of electricity generation and installed renewable capacity, inter alia-. Details of the functions and powers of the Sustainability Committee can be found in section C.2.1 of the Annual Corporate Governance Report 2023.

The main decision taken by the Sustainability Committee in recent years has been to formally commit the company to the Net Zero 2050 target and the climate targets included in the 2021-2025 Sustainability Plan, updated in 2023, coinciding with the review of the Strategic Plan 2021-2025. In this way Naturgy commits to eliminate investments in new carbon-intensive assets or products that are not compatible with the Paris Agreement.

One of the key aspects of Naturgy's risk management is to ensure the resilience and sustainability of the business, which is why environmental and climate change risks are built into this global model. All the company's operational and geographic areas, businesses and projects are involved in climate governance, which is channelled through the Management Committee and the Sustainability Committee.

The Audit and Control Committee is the supreme body in charge of the efficacy of internal control and of the risk management and control systems. It approves the Corporate Risk Map, which includes climate change risks, and ensures compliance with the Global Risk Control and Management Policy approved by the Board of Directors. See further details in the Risk Management section of this report.

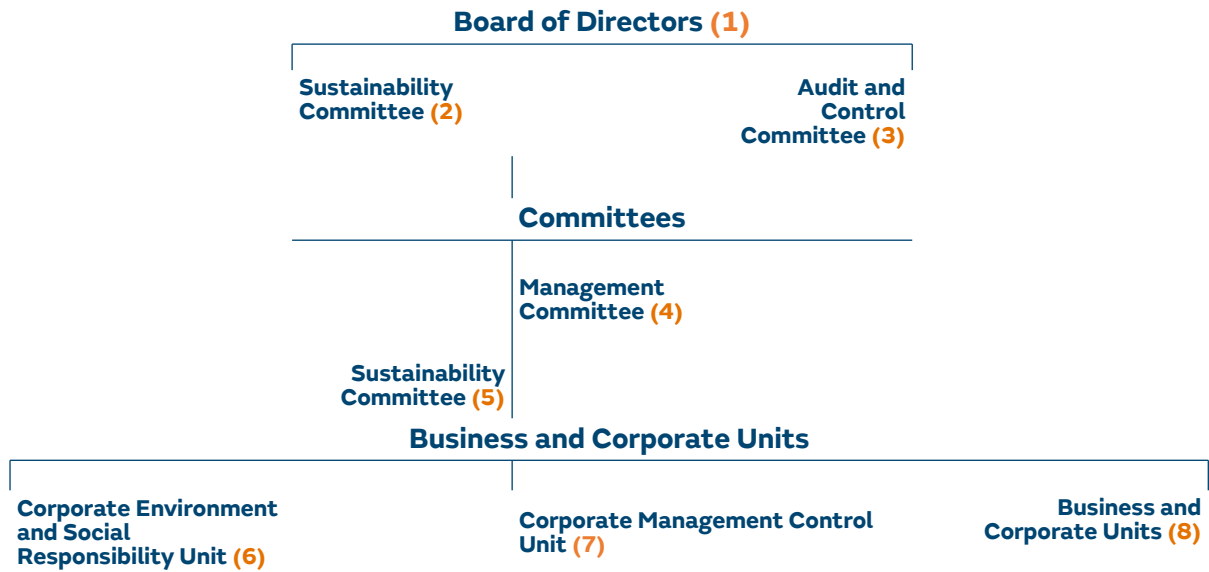
The identification, monitoring and assessment of risks related to climate change is governed by the Corporate Risk Map, which is updated and submitted by the corporate Management Control unit to the Audit and Control Committee.

The process focuses on characterising and quantifying the most relevant climate risks, reflecting the company's risk profile. The identification and characterisation of the risks take into account the characteristics of the exposure level, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control.

In 2023, the Sustainability Committee has decided to make further progress in the quantification and monetisation of climate change risk until full implementation of the TFCF standard.



## Governance agencies and responsibilities in climate change



**(1)** Approves the Risk Control and Management Policy, the integrated Risk Appetite and oversees the company's Risk Management and Control System.

**(2)** Oversees sustainability, environmental, social and corporate governance policies. It ensures that the company's actions are aligned with the energy transition and contribute to the 2030 Agenda of the Sustainable Development Goals. It determines and reviews the target risk profile and oversees its management by the units.

**(3)** Oversees risk management systems, approves the Corporate Risk Map (including climate risk) and ensures compliance with the Global Risk Control and Management Policy.

**(4)** 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.

**(5)** Monitors all indicators and defines and promotes the projects and corrective actions necessary to ensure compliance with the targets of the Sustainability Plan, including those related to climate change.

**(6)** Sets policies, indicators and targets for the environment, climate change and sustainability in general. In coordination with the businesses, it monitors developments, consolidates information and centralises reporting to the management committees and the Board of Directors. Continuously assesses the main climate and ESG risk factors.

**(7)** Responsible for aggregating the risks reported by the rest of the company's units and preparing a global and integrated vision for senior management of all the company's risks through the Corporate Risk Map.

**(8)** They apply general principles and strategies and develop plans, projects and activities to meet climate change and environmental objectives, as well as the other goals set out in the Sustainability Plan.

The annual variable remuneration of the Executive Chairman and the management team considers economic-financial, operational and sustainability aspects. The weight of objectives linked to sustainability or ESG aspects is 20%, with 5% corresponding to environmental aspects. The very long-term variable remuneration (LTI) is aligned with the execution period of the Company's Strategic Plan, which encourages the reduction of emissions through the promotion of renewable energies, eco-efficiency and sustainable mobility.

Naturgy has a firm commitment to transparency and dissemination of information related to climate change whereby the company participates in international reference indices on climate change. It should be noted that Naturgy has been recognised by the CDP Climate index for its climate management, remaining in the leadership band since 2011.

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

In addition, to strengthen the company's commitment to the energy transition and the decarbonisation of the economy, the Chairman of Naturgy has been a member of the "Alliance of CEO Climate Leaders" since 2022. This alliance was created in 2014 to support and promote the Paris Agreement on climate change from the senior management of companies.

## Climate strategy

### Energy transition

Naturgy's climate change strategy for the energy transition includes the components of Nature and People, as they are complementary and mutually influential realities. This holistic vision is therefore based on three fundamental pillars:

- Reduce greenhouse gas emissions by transforming the generation mix and the gas and electricity business towards an increasingly decarbonised model.
- Creation of natural capital and restoration of ecosystems to maximise CO<sub>2</sub> capture and neutralise emissions, ensuring the protection of native fauna and flora and maximising co-benefits for local communities.
- A Just Transition, maximising the benefits of the transition to a low-carbon economy and minimising the negative impacts on business, workers and communities.

In this regard, the main lines of climate action reflected in the Strategic Plan 2021-2025, updated in 2023, are:

- Promote renewable energies and encourage their integration through the development of smart networks.
- Ensure security of supply in the energy transition to 100% renewable energy, using gas combined-cycle power stations as back-up power. It is an eligible technology according to European taxonomy and with a reduced level of specific CO<sub>2</sub> emissions compared to conventional thermal generation.
- Develop renewable gases as a lever for decarbonisation of natural gas and in this way promote the circular economy through biomethane from organic waste and green hydrogen produced with surplus renewable electricity.
- Promote energy eco-efficiency in own and customers' facilities.
- Offer eco-efficient and carbon neutral products and services at competitive prices to our customers.
- Promote sustainable mobility that reduces GHG emissions and air pollution, helping to improve air quality.

**Key ESG objectives Strategic Plan 2021-2025**

		2025	2023	2020	
<b>Environment</b> Zero net emissions by 2050	- GHG emissions reduction	27%	30%	16%	Reduction of tCO <sub>2</sub> eq (scopes 1+2+3) <sup>1</sup>
	- Biodiversity	350	353	265	Projects (#)
<b>Governance</b> ESG-aligned management remuneration	- ESG objectives as part of management incentives	20%	20%	3%	ESG-linked variable remuneration
	- Climate change risk and Taxonomy reports	100%	Partial	Partial	Implementation of TCFD and EU Taxonomy

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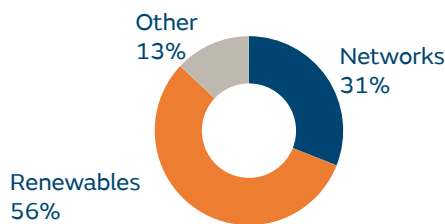
1. vs. 2017. Scopes 1+2 aligned with the 1.5°C scenario and Scope 3 aligned with the WB2D scenario.

**Strategic Plan 2021-2025 Investments: Two main lines of investment**

**Investment Plan 2021-25E**

**Capex Plan 2021-25E**

13.200 MM€



**Networks**

- Proactive regulatory management
- Automation and remote operation
- Adaptation of existing infrastructures to play a key role in the energy transition

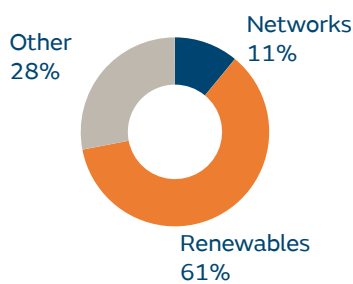
**Renewables**

- Revision of 2025 capacity target to ~ 10GW, with higher unit Capex (€/MW) due to inflation
- Strict financial discipline and minimum return criteria

Investments aligned with the energy transition and strict financial discipline

**Capex Plan 2023-25E**

9.900 MM€



**Others**

- Growth of customer base and digitisation
- Maintenance of Capex in combined-cycle power stations in Spain due to increased activity / back-up capacity
- Developing a renewable gas platform in Spain to capture growing opportunities

## Just energy transition

The energy transition in which society is immersed is so profound and urgent that it generates a series of undesirable consequences in communities, especially for workers who may see their jobs disappear. One example is the closure of coal-fired power stations.

In order for this transition to minimise the negative impacts on workers and their activity, a framework was proposed through the International Labour Organisation, which, under the concept of “just transition”, was agreed between governments, companies and trade unions.

In Spain, the just transition of the territories affected by the closure of thermal power stations is articulated under the “Agreement for a Just Energy Transition for thermal power stations undergoing closure”. It includes the commitment of the government of Spain, energy companies and trade unions to ensure employment and economic recovery of the areas affected by the closure of thermal power stations located in Aragon, Andalusia, Principality of Asturias, Castilla y León and Galicia. This agreement also establishes the commitment of the parties to work on the elaboration of Just Transition Agreements that include a participatory process of mobilisation and consultation for their elaboration.

### Closure of plants and accompanying plans

Naturgy has drawn up accompanying plans for each of the closed plants. These plans detail the commitments made by the company:

- Proposals for new investments in renewable energies in the same territories.
- Outplacement plans for our own personnel.
- Prioritisation for the recruitment of workers from auxiliary companies in the decommissioning works.
- Search for investors.
- Participation in support plans to improve employability in new activities, including specific training plans.

These accompanying plans have taken into account the main stakeholders affected and are focused primarily on promoting economic activity in the territories where the facilities were located. To address them, the company follows an approach based on the following premises:

- Prioritising environmental measures and health and safety procedures in decommissioning.
- Engaging with stakeholders in the plant environment.
- Giving sites a second life by finding alternatives for new industrial uses.
- Mitigating the economic and employment impact in the areas as far as possible and maintaining the historical link with the territories.
- Supporting job creation and contributing to the training of workers in new skills adapted to the requirements of the energy transition.

During 2023 Naturgy has continued with the decommissioning process of the four coal-fired power stations under its management. At the close of 2023, the situation of the dismantling process at the different sites is as follows:

Facility	Degree of progress (%)	Revaluation and/or recycling rate (%)
CT Anllares	98	97
CT La Robla	93	90
CT Meirama	86	88
CT Narcea	56	79

Safety procedures and environmental measures that do not affect third parties and the environment have been prioritised in the dismantling work. To this end, demolition techniques are prioritised to minimise risks, and dismantling materials and equipment are reused and recycled.

As a result of the decommissioning, Naturgy has drawn up an investment plan in the affected areas that prioritises more efficient, less emitting and more environmentally friendly generation technologies. These alternative plans are focused on:

La Robla Site (Castilla y León)	Meirama Site (Galicia)	Narcea Site (Asturias)
<ul style="list-style-type: none"> <li>- Development of photovoltaic parks and substation.</li> <li>- Green hydrogen plant together with Enagás Renewable. (See more detail in the Innovation and new business development section of this report)</li> </ul>	<ul style="list-style-type: none"> <li>- Meirama and As Encrobas wind farms and new substation, with favourable Environmental Impact Statement (EIS) from November and December 2022, respectively. Development of Green Hydrogen production hub together with Repsol and Reganosa.</li> <li>- Biogas power station together with Repsol and Reganosa. (See more detail in the Innovation and new business development section of this report)</li> </ul>	<ul style="list-style-type: none"> <li>- Transfer to Tineo Town Council of the village annexed to the power station to be used for social purposes. The rehabilitation project has obtained JTI grants amounting to Euros 3.5 million.</li> </ul>

### Employment and training

As well as developing projects that help maintain economic and industrial activity in these areas, Naturgy's commitment includes the promotion of employment. In this regard, it should be noted that the closure of the plants was communicated both to the staff directly affected and to the workers' representatives. For the relocation of professionals, we sought to minimise the impact of the change of work centre, making the most of the means offered by Naturgy and the flexibility of the units and equipment. Accordingly, a large part of the staffing requirements for renewable technology development projects were covered by personnel from coal-fired power stations.

With regard to the employees of third parties, communication was established with the contractor companies to inform them of the next steps to be taken, as well as the channels for applying for employment in the decommissioning work. These channels have ensured equal opportunities based on allowing the companies awarded the decommissioning work in each of the work centres to identify the profiles they need.

As far as possible, for decommissioning work, priority has been given to hiring personnel residing in the municipalities where the sites are located or in nearby areas. A local employee is considered to be an employee who resides in the municipality of the sites or who resides in different municipalities and is registered in the job exchange of the Institute for Just Transition.

Site	Local employment (% of total number of persons hired)
La Robla	56
Meirama	24
Narcea	37

The decommissioning work being carried out at Meirama has entered a phase where manual work is not as necessary and has been replaced by work with heavy demolition machinery, hence the lower percentage in local hiring compared to other facilities.

Job creation requires the training and preparation of people. Within the framework of the Alliance for Vocational Training of the Ministry of Education and Vocational Training and linked to the Vocational Training Programme for Employability, the Naturgy Foundation provides workshops aimed at teachers, students of training cycles and the unemployed and employees of the sector. Specific training in new energy technologies such as the installation and maintenance of photovoltaic panels, renewable gases or the digitalisation of electricity grids. The development of this programme can be examined in more detail in the section on the activities of the Naturgy Foundation in the "Social Responsibility" chapter of this report.

Along the same lines, in 2023 the Institute for Just Transition and the Naturgy Foundation have signed an agreement to collaborate on training, improving employability and gender equality in the energy sector. The protocol establishes the lines of collaboration between the two institutions in the fields of training and research to promote green employment in areas of just transition, as well as to strengthen the re-qualification of workers in such areas.

## Management of climate change risks and opportunities

### Climate risks and opportunity assessment

With the aim of creating a common and globally consistent framework for the consideration of the economic risks resulting from global warming, the TCFD created by the FSB (Financial Stability Board) established in 2017 a definition and categorisation of these risks that has today become the global benchmark standard. Specifically the risks arising from physical impacts and those arising from the transition to a low-carbon economy:

- Physical risks and opportunities: They arise from the increasing severity and frequency of extreme weather events (acute physical risks) or from a gradual, long-term change in the Earth's climate (chronic physical risks). They can affect companies directly through damage to their assets or infrastructure or indirectly by disrupting their operations or making their activities unviable. These extreme, chronic and acute weather events could also lead to a one-off or chronic increase in energy demand which, in turn, would constitute business opportunities for the company.
- Transition risks and opportunities: The commitments made by the signatories of the Paris Agreement and the consequent transition to a decarbonised production system imply a drastic transformation of the global economy through major changes in regulations, the market and technology. These changes carry significant risks for companies, but also present opportunities.

Regulatory developments related to climate change are evolving at an ever faster pace. These regulations generally seek to limit activities that contribute to climate change and to promote adaptation measures. This means that economic actors must adapt to the new regulation, which sometimes has a very significant impact on their strategy and their business and production models. Some examples of policies that entail a regulatory transition risk are the implementation of CO<sub>2</sub> pricing or the setting of greenhouse gas emission reduction targets.

Climate change can affect the market in multiple ways, one of the main ones being changes in the supply and demand of products and services or increases in production costs. Changes in consumer behaviour that increase the demand for products classified as sustainable, or a decrease in the supply of certain resources due to increased scarcity, are examples of this type of market transition risks that can also entail new business opportunities.

Technological innovations focused on the transition towards a low-carbon economy can have a significant impact on companies and economic sectors, as they could imply anticipated losses of value on existing infrastructures, easily foldable in terms of cost, as well as heavy investments in R&D&I and the incorporation of new technologies that are still in the evolutionary phase. Examples are technological improvements related to renewable energies, hydrogen and other renewable gases, CO<sub>2</sub> capture or energy efficiency.

In addition, there is a growing risk that a company will be sued for negligence in mitigating and adapting to the effects of climate change, or for lack of transparency about its risks, known as reputational transition risk.

Efforts made to mitigate and adapt to climate change also create opportunities, e.g. through resource efficiency and cost savings, developing new products and services in line with low-carbon technologies, accessing new markets, and building resilience along the entire production chain.

Classification of Physical and Transition Risks and Opportunities according to the TCFD

RISKS		OPPORTUNITIES	
<p><b>Physical</b></p> <p><b>Acute</b></p> <p>Increased severity of extreme weather events such as cyclones, hurricanes or flooding</p> <p><b>Chronic</b></p> <p>Long-term changes in weather patterns (rising sea levels and temperatures, changes in precipitation patterns, etc.)</p>	<p><b>Transition</b></p> <p><b>Political-legal</b></p> <p>Climate change policy developments</p> <p><b>Market</b></p> <p>Changes in supply and demand for certain raw materials, products and services</p> <p><b>Technology</b></p> <p>Structural technological changes favouring the transition to a lower carbon and more energy-efficient system</p> <p><b>Reputational</b></p> <p>Changes in perceptions of contribution or detraction to the transition to a lower carbon economy</p>	<p><b>Physical</b></p> <p><b>Acute</b></p> <p>Revenue growth due to increased electricity demand in the face of increasing frequency of extreme cold and heatwaves</p> <p><b>Chronic</b></p> <p>Revenue growth due to increased electricity demand from warmer temperatures</p>	<p><b>Transition</b></p> <p><b>Energy sources</b></p> <p>Investment in renewable energy generation</p> <p><b>Products and services</b></p> <p>Developing low-emission products and services to take advantage of changing preferences</p> <p><b>Market</b></p> <p>New markets or diversification of activities</p> <p><b>Resource efficiency</b></p> <p>Improving the efficiency of production and distribution processes</p> <p><b>Resilience</b></p> <p>Climate resilience to better manage the associated risks and opportunities</p>

Climate risk and opportunity assessment methodology

The climate risk assessment model used by Naturgy is based on the following premises:

- First of all, it relies on its risk policies and corporate risk profile to identify what is an acceptable level of risk.
- Context analysis of global scenarios: recently published theoretical climate scenarios by international organisms have been used, grouped according to their climate ambition. Two scenarios are more ambitious; one is fully aligned with achieving the Paris Agreement targets of not exceeding 1.5°C compared to pre-industrial levels and reaching Net Zero by 2050; in the intermediate scenario, the global average temperature increase is kept below 2°C, but without considering that the global Net Zero target will necessarily be reached in 2050; lastly, the third scenario is more continuist.
- Consideration of various time horizons for carrying out sensitivity analyses of the climate scenarios defined: short term 2025-2030, taking the Strategic Plan 2021-2025 as a starting point, medium term, up to 2040 and long term, up to 2050.
- Data collection and analysis, and identification of climate risk variables and drivers of the energy transition: data collection covers the main climate change indicators and Naturgy’s assets and activities currently in operation, as well as the main key metrics of the energy system, including but not limited to: energy demand, commodity and CO2 prices, total electricity capacity and capacity by technology, total electricity generation and generation by technology, and the role of renewable gases.

- Physical risks are assessed at the level of facilities or asset types to ensure that they can be safely operated and accessed in extreme weather conditions. For this purpose, the physical risk assessment methodology was based on the following premises:
  - Damage to assets: estimation of potential damage to assets resulting from catastrophic events, considering the variables of occurrence and intensity of the events.
  - Business interruption: estimate of annual business interruption costs proportional to the number of days where the hazard intensity exceeds a relevant threshold. It assumes that on each of these days a fixed proportion of income is lost, specific to each sector.

### Physical risk and opportunities assessment

Climate-related physical risk affects all company facilities, to varying degrees. Particularly at risk are those infrastructures with a long service life and located in regions with greater exposure to extreme weather events. Therefore, Naturgy's risk model is based on modelling the exposure and vulnerability of assets to different adverse weather events:

Term	Definition
Exposure	The number of items that are prone to or subject to certain hazards and that may cause them to be affected.
Vulnerability Sensitivity Susceptibility	An asset's predisposition to be affected, including sensitivity or susceptibility to financial damage (or opportunities) and capacity to adapt.
Hazard Risk	Natural phenomenon in question: probability of occurrence and intensity of extreme weather events.

However, the very exposure of certain activities or assets to climate events could present opportunities such as increased electricity demand resulting from a sustained rise in temperatures.

Types of physical risks and opportunities

Ranking	Type of risk / opportunity	Potential impacts for Naturgy
<b>Acute physical hazards</b>	Extreme winds (cyclone, hurricane, gale)	Damage caused by an increased frequency of extreme events associated with strong wind gusts.
	Extreme rainfall-flooding	Damage caused by increased frequency and intensity of extreme events associated with rainfall and flooding.
	Forest fires	Damage caused by an increased incidence of extreme events associated with forest fires.
<b>Chronic physical risks</b>	Sustained temperature increase	Damage caused by a gradual and sustained increase in the Earth's average temperature over time.
	Changes in rainfall patterns	Damage caused by sustained alterations in rainfall patterns.
<b>Chronic physical opportunities</b>	Sustained temperature increase	Revenue increase associated to increased electricity demand due to sustained temperature increase



## Climate scenarios used

The use of theoretical climate scenarios is a major component of climate risk and opportunities analysis, especially with regard to modelling extreme weather events. It is designed to provide a starting point that can indicate which scenario is most likely to materialise. The scenario analysis is aligned with TCFD recommendations.

The scenarios used in the models show how physical phenomena of the climate system change in response to increases in greenhouse gases, including variables such as temperature increases, sea level rise and changes in the frequency and severity of extreme weather events.

To this end, climate impacts are assessed over a 15-year period, based on the statistical extrapolation of 35 years of historical data, taking into account various scenarios of long-term GHG emission reductions and how these affect the occurrence of extreme climate events. The emission reduction scenarios used in such an analysis are the relative concentration pathway (RCP) scenarios defined by the Intergovernmental Panel on Climate Change (IPCC), specifically the Fifth Assessment Report (AR5).

AR5 defines scenarios as relative concentration pathways (RCPs) that provide a range of GHG emissions and concentrations that allow projections of future climates beyond the 21st century. A set of four scenarios considering climate policies has been used in AR5:

- RCP 2.6, requires that carbon dioxide emissions would have started to decrease by 2020 and reach zero by 2100. It is likely to keep the global temperature increase below 2°C by 2100 compared to pre-industrial levels (1850-1900) and sees a 44% chance of limiting the temperature increase to below 1.5°C.
- RCP 4.5 is described by the IPCC as an intermediate scenario, emissions peak around 2040, then decline. An average temperature increase of about 2.7°C in 2100, compared to the period 1850-1900, is estimated.
- RCP 6, emissions peak around 2080 and then decrease. Temperature forecasts include continued global warming until 2100, resulting in a global temperature increase of 3-4°C by 2100.
- RCP 8.5, emissions continue to increase throughout the 21st century. IPCC estimates that the global temperature increase from pre-industrial levels will be above 3°C, and with a 62% probability it will exceed 4°C.

The four scenarios are not forecasts, but a range of possibilities described in different research. RCP8.5 is considered to have high GHG emission rates. The RCP6.0 and RCP4.5 scenarios can be considered as medium mitigation scenarios, while RCP2.6 can be considered as the lowest degree of emissions.

One of the main differences between these scenarios is the development of emission reduction technologies. The climate effects of these reductions will be seen in 2050 and beyond, not in the short term, so the RCP scenarios diverge slowly over time and in the short term result in similar climate projections:

- The climate adapts slowly to direct emissions, i.e., the increase of GHG potential in the atmosphere is observed in forms of extreme weather only after at least a decade.
- Most scenarios do not count on drastic emission reductions right away, not even the most ambitious 1.5°C temperature increase scenarios.

Given that the current analysis focuses on a time horizon of 15 years and the relevant effects of severe climate events occur in the longer term, it has been decided to use only the RCP8.5 scenario, which is the most pessimistic scenario, as it estimates a sustained increase in GHG emissions throughout the 21st century and also considers that no specific measures are taken to combat climate change, leading to temperature increases of over 3°C by the end of the century. Therefore, this is the only scenario where, over a 15-year period, the impacts of physical risks could be material, but not the impacts of physical opportunities.

## Impacts of physical climate risks and opportunities

[201-2]

The following table shows the assessment of the impacts of the physical risks identified under the climate scenario analysis and the effects on the company's assets and activity. These impacts have been classified as low, medium or high given the degree of uncertainty and immaturity of existing assessment methodologies in the analysis of these risks and the long-term effect of their potential impacts.

### Assessing impacts

Ranking	Type of risk / opportunity	Relevance time horizon	RCP 8.5 Scenario
<b>Acute physical risks</b>	Extreme winds (cyclones, hurricanes, gales)	Medium/Long	■
	Extreme rainfall-flooding	Medium/Long	■
	Forest fires	Medium/Long	■
<b>Chronic physical risks</b>	Sustained temperature increase	Medium/Long	■
	Changes in rainfall patterns	Medium/Long	■

Risk: high (■), medium (■), low (■).

Time horizons: short 2030, medium 2040; long 2050.

As can be seen in the table, as a result of the analyses carried out, the impact of natural disasters has a low or medium effect in the medium and long term under the most pessimistic climate scenario, which could be mitigated with the mitigation measures implemented.

### Transition risks and opportunities assessment

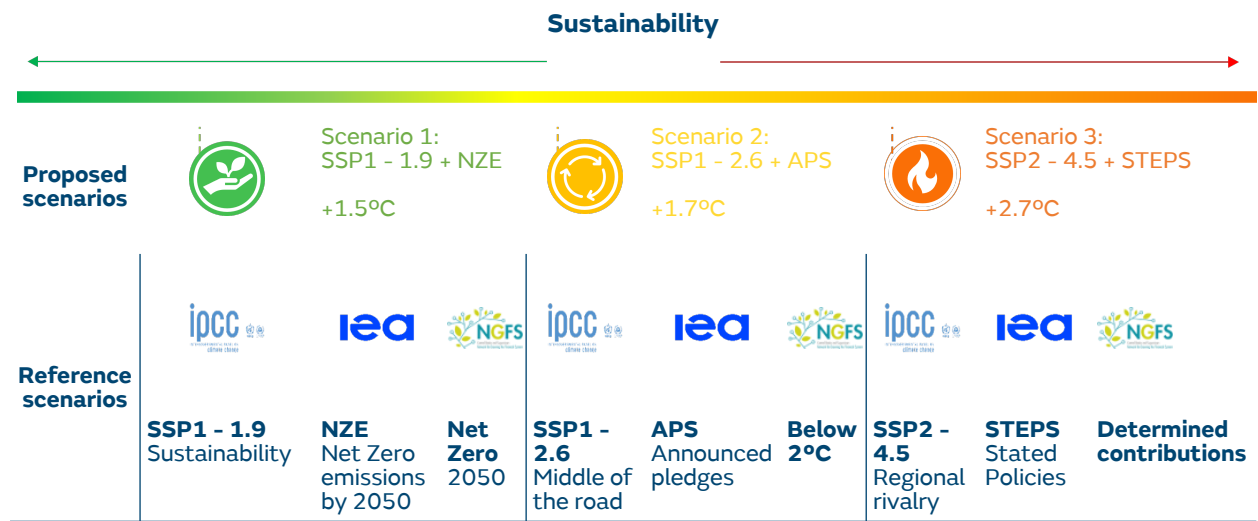
Transition risk and opportunities assessment aims to provide a quantitative and prospective analysis of how climate change may affect the profitability of an activity or a company. It provides information on how current and future climate policies and regulation, technological developments in terms of energy efficiency, new energy sources or carbon capture and the evolution in the supply and demand of decarbonised products and services or the increase in production costs that could affect the company, based on the costs necessary to align the business model to these trends and the new business opportunities that arise.

## Types of transition risks and opportunities

Ranking	Type of risk / opportunity	Potential impacts for Naturgy
	Implementation of carbon pricing mechanisms (taxes, emissions trading schemes) in the country	Increase in the price of CO <sub>2</sub> issued by the company.
<b>Transition risks</b>	Market risk affecting the distribution and commercialisation of natural gas	Decline in gas demand due to energy transition, resulting in lower revenues. Decrease in thermal electricity generation due to an increase in the share of renewable energy.
	Market risk affecting thermal power generation	Depreciation of distribution assets due to a decline in gas demand. Depreciation of thermal generation assets due to an increase in the share of renewable generation.
	Litigation and sanctions related to alleged company or sectoral liability for climate change impacts	Financial penalties for litigation due to non-compliance with environmental regulations. Reputational impact that could affect the value of the company.
<b>Transition opportunities</b>	Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation	Revenues associated with new business lines (renewable gases and renewable energy). Increased benefits from self-consumption and distributed generation services.
	Increased electricity demand due to increased share of electrification.	Revenues associated with higher electricity distribution and commercialisation sales.
	Use of public sector incentives	Award of grants to facilitate the energy transition.

For this assessment, three global theoretical climate scenarios grouped by climate ambition based on scenarios provided by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS) were used. In two of these scenarios global temperature is not going to increase by more than 2°C by 2100 relative to pre-industrial times, meeting the TCFD recommendation, while the third one, less ambitious, foresees a slower adoption of global commitments and policies that could lead to temperature increases of 2.7°C.

Global energy transition scenarios



- Scenario 1 NZE (Net Zero Emissions): This is the most ambitious climate scenario, in which net zero emissions will be reached by 2050, with several developed economies reaching zero emissions ahead of schedule. It is a scenario with sustainable and rapid social and economic growth, leading to a global temperature increase of no more than 1.5°C by 2100. This first scenario considers more ambitious assumptions than the others, such as:
  - The introduction of a regulatory framework that encourages the reduction of the sale and consumption of fossil fuels, the allocation of a cost to CO2 emissions and the development of clean technologies.
  - Rapid economic growth, thanks to the creation of thousands of jobs related to the energy transition to renewable energy. On the other hand, society is more environmentally committed and enjoys a better quality of life. It also achieves the 2030 Agenda, highlighting global energy access and improved air quality.
  - Reduction of regional differences in per capita income; in addition, average GDP growth of about 3% per year is expected.
  - There are investments in the energy sector, such as the development of electric means of transport, fuels that generate lower emissions, and technologies for clean energy production (wind, solar, among others).
  - It is estimated that the market share of electricity generation in 2050 will be 100% renewable.
  
- Scenario 2 APS (Announced Pledges Scenario): This scenario assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions and long-term Net Zero targets, as well as targets for access to clean electricity, will be met in full and on time. However, only economies aiming for net-zero emissions by 2050 will achieve this, through international cooperation and social involvement and the gradual reduction of fossil fuel use and prices, while CO2 prices will become more expensive. A temperature increase of no more than 1.7°C is projected for 2100. Some of the hypotheses raised by this scenario include:
  - Increasing policies, initiatives and new regulatory frameworks to comply with the climate agreements set by each country. International cooperation is carried out to foster economic growth and the transition to sustainability in the various economic sectors, promoting the use of alternative fuels and technologies.
  - Improved societal engagement, supporting the achievement of the 2030 Agenda. In terms of quality of life, there is a lot of investment in health, education, and various programmes to provide access to clean energy in low-income countries, so jobs are expected to be created to implement renewable energy and increase energy efficiency.
  - Average annual world GDP growth of 3.3%. Governments and companies around the world carry out better environmental practices and investments in clean energy. To achieve universal access and transformation of energy production, high investments are required, especially in the industries most closely linked to fossil fuels.

- There is a reliance on solar and wind power in the energy sector and an increase in carbon capture, utilisation and storage and nuclear energy. On the other hand, investment in sustainable technologies in services such as transport increases.
- **Scenario 3 STEPS (Stated Policies Scenario):** In this scenario, a slowdown in the acquisition of more ambitious commitments or potential breaches of commitments made are considered. Policies are adopted to reduce the use of fossil fuels, but demand remains high and investment in renewables is conservative. As a consequence, developed economies will not reach net zero emissions in 2050 and global temperature will rise 2.7°C by 2100. Some of the hypotheses raised by this scenario include:
  - It is assumed that governments do not meet all announced climate targets, only those that are currently feasible. The targets that are met are examined sector by sector, considering the policies put in place, related to energy transition and environmental sustainability.
  - Demand for fossil fuels remains constant compared to current consumption, thus delaying the transition to sustainable energy use. In view of this situation, different programmes are implemented to try to increase the use of renewable energies worldwide. Investments are focused on meeting energy demand up to 2050.
  - A commodity market is sought where a wider range of suppliers can be found. Furthermore, there is still dependence on fossil fuel imports. The current risk with regard to price volatility in energy markets remains.

### Impacts of transition risks and opportunities

[201-2]

The following table shows the assessment of the impacts of the transition risks and opportunities identified under the climate scenario analysis described above. The representation has been made in terms of low, medium and high impact, given the degree of uncertainty and immaturity of existing assessment methodologies in the analysis of these risks, the long lead times for the materialisation of some of these risks, and the uncertainty about the direction of global climate change measures and commitments.

Ranking	Type of risk / opportunity	Relevance time horizon	Assessing impacts		
			NZE Scenario	APS Scenario	STEPS Scenario
<b>Transition risks</b>	Implementation of carbon pricing mechanisms (taxes, emissions trading schemes) in the country	Short/Medium	■	■	■
	Market risk affecting the distribution and commercialisation of natural gas	Medium/Long	■	■	No impact
	Market risk affecting thermal power generation	Medium/Long	■	■	No impact
	Litigation and sanctions related to alleged company or sectoral liability for climate change impacts	Short/ Medium/Long	■	■	■
<b>Opportunities</b>	Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation	Short/ Medium/Long	■	■	■
	Increased electricity demand due to increased share of electrification.	Short/ Medium/Long	■	■	■
	Use of public sector incentives	Short/Medium	■	■	■

Risk: high (■), medium (■), low (■).

Opportunity: high (■), medium (■), low (■).

Time horizons: short 2030, medium 2040; long 2050.

The following conclusions are the result of the analyses carried out:

- As can be seen in the table, transition risks are higher in the more ambitious scenarios (NZE and APS), while there are more opportunities in the use and promotion of renewable energy. Negative and positive impacts are expected to increase over time and to intensify in greener scenarios or those linked to a more accelerated energy transition. This is due to the corresponding increase in CO<sub>2</sub> prices and the higher costs required to achieve reductions (investments in renewable installations, decarbonisation-promoting technologies, enhanced energy efficiency measures, etc.). In fact, carbon cost is expected to increase over the next decade due to the implementation of more ambitious global decarbonisation regulations. As actions to adapt to the transition measures are implemented, these risks will also be reduced.
- The transition risks, associated with the variation in natural gas demand due to decarbonisation and the increase in the share of renewable electricity generation, are particularly relevant in the NZE and APS scenarios (where the energy transition is expected to be faster and more restrictive), following an increasing trend over the different time horizons.
- According to the analyses carried out, the impacts on reputation and possible sanctions derived from potential litigation due to Naturgy's alleged responsibility for climate change would have the least impact.
- On the other hand, the fall in gas demand and the reduction of fossil fuel generation, especially in the scenarios with higher climate ambition, imply potential benefits derived from the promotion of renewable gas consumption, the increase in the share of renewable generation, the growth of electricity distribution and sales, and the increase in opportunities to offer value-added services to customers that will allow them to reduce energy costs and carbon footprint, which could offset the negative impacts derived from market risks.

The speed of the energy transition, defined by decarbonisation policies, consumer behaviour, technological innovation or the geopolitical, social and economic situation, will thus have a significant impact on the evolution of the energy mix and the demand of each type of energy.

In terms of transition risks, Naturgy's positioning since 2018 and endorsed in the Strategic Plan 2021-2025 based on renewable energies and networks, places the company in a favourable position to face these risks.

In 2023, short-, medium- and long-term planning is in line with the commitments established in the Paris Agreement and the agreements reached at COP 28 in Dubai, to carry out an energy transition in a fair, orderly and equitable manner to achieve net zero emissions by 2050, tripling renewable energy and doubling energy efficiency by 2030 and gradually replacing fossil fuels with low-carbon energy. At the Spanish level, it is also consistent with the draft National Integrated Energy and Climate Plan 2023-2030 (PNIEC).

This is described in Note 2.4.25.k. - Climate Change and the Paris Agreement, from the 2023 Consolidated Annual Report, explaining the impacts of climate risks on the financial statements.

On a recurring basis, the company will continue to update its operational and energy transition plans based on the evolution of all factors influencing the assessment of climate risks.

In this way, Naturgy operates at all times on the basis of a business model aligned with the maximum level of ambition of the Paris Agreement, i.e. aligned with the goal of limiting the increase in global temperature preferably to 1.5°C or below 2°C, and to this end it has defined strategic lines and targets to put the Company on track to achieve zero net emissions in its three scopes by 2050.

### **Climate risks and opportunity management**

[201-2]

For climate risks, Naturgy relies on the TCFD recommendations described above and on the company's risk management model detailed in the Risk Management section of the "Integrity and Trust" chapter.

Naturgy has therefore implemented various mitigation and adaptation measures to limit impacts, reduce vulnerabilities and increase the resilience of its infrastructures and activities in the face of climate change or climate policies.

## Main risks linked to climate change at Naturgy

Identification			Risk management	
Type	Risks in detail	Impact detail	Management and mitigation	Adaptation measures
Acute physical risks	Extreme winds	Damage to facilities, loss of production and/or prolonged interruption of the wind generation business.		Implementation of measures in case of adverse weather warnings such as safe shutdowns of wind farms
	Tropical cyclones	Damage to facilities, loss of production and/or prolonged interruption of thermal and wind generation business.	Physical risk mitigation: considered and integrated into the design and construction of assets. All facilities are designed to operate under extreme weather conditions.	Design of facilities guaranteeing their protection against rainfall variations, etc. For example, flood risk studies, dam safety, etc. Flood protection structures.
	Coastal flooding	Damage to facilities, loss of production and/or prolonged interruption of the thermal generation business.	Policies for property damage/loss of profit, environmental liability and land liability.	
	Extreme flooding	Material damage to hydropower plants.	Emergency plans for all facilities, continuously updated. Emergency plans and malfunction management.	Construction of a dam at the Torito power station, designed to withstand considerable flooding. Construction of retaining walls and modification of the shaft aeration pipe to prevent water ingress in the event of flooding. Constant monitoring of the river channel by means of automatic cameras and aerial photography by drones.
	Increased frequency and severity of fires	Damage to facilities, loss of production and/or prolonged interruption of business and power supplies. Electricity distribution.	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.	The electricity distribution business in Spain has developed the GALA project, which consists of creating a digital model of the networks, using drone images to detect the areas of vegetation proximity and scheduling felling and clearing for the maintenance of the safety corridor.



<b>Chronic physical risks</b>	Effects of increased temperature	Reduced productivity / labour availability or changes in the efficiency of production processes in thermal generation and, in general, in outdoor operational activities and administrative (office) activities.	All facilities are designed to operate in extreme weather conditions, taking into account extreme weather events. All risks to employees are assessed, including the effects of heat waves.	Operational efficiency plan that establishes objectives to improve specific consumption in thermal power stations, compensating for efficiency losses due to temperature increases. Actions ("Fogging systems") to improve airflow and compensate for power reduction as a result of increased ambient temperature in thermal generation facilities. Adaptation of outdoor work plans and air conditioning to high temperatures. Hydration and personal protection guidelines
		Drop in demand for natural gas for heating (residential and commercial).		Increase the contribution of electricity vs. gas businesses.
	Changes in rainfall patterns and extreme variability of weather patterns	Changes in the generation dispatch. Changes in the price of electricity in the wholesale market. Low river flows.	Study of the impact of climate change on hydropower plants.  Dominant position of combined-cycle power stations to support the production of electricity from renewable sources.	Hydropower plant repowering programme.  Improving cooling water management systems to offset for possible reductions in river flows.

It is concluded that no significant costs are currently expected for carrying out adaptation measures. Going forward, the company will monitor and broaden the analysis to conduct a more comprehensive climate resilience assessment according to the evolution of different scenarios.

We can also conclude that Naturgy has not recently suffered any loss at its facilities due to severe weather events.

Identification		Risk management	
Type	Risks in detail	Impact	Management and mitigation measures
Transition: policies and regulation	Implementation of carbon pricing mechanisms (taxes, emissions trading schemes) in the country	According to climate-ambitious scenarios, Naturgy's annual carbon cost exposure could increase due to the establishment of more ambitious regulations on decarbonisation targets and the estimated upward evolution of the carbon price.	<p>Measures to reduce the company's carbon intensity: divestment of high carbon intensity assets (coal mine in South Africa, fuel oil power generation in Kenya), coal plants closure, development of new renewable power, increasing the weight of electricity in the company's portfolio and boosting renewable gases.</p> <p>Positioning natural gas in the energy transition together with renewable gases and, as far as possible, as support for renewables and as a substitute for high-emission fossil fuels (coal and/or oil derivatives). In addition, participation in public policy-making and regulatory processes.</p> <p>The increase of renewable generation to the generation mix helps mitigate this risk: in 2023, the cost of compliance of Naturgy's facilities regulated by the EU ETS Directive has been reduced by almost Euros 190 million compared to 2022, mainly due to a reduction in thermal generation of electricity with combined cycles, equivalent to 2.5 MtCO<sub>2</sub>.</p>
		<p>Changes in consumption habits and customers' predisposition towards more sustainable technologies and products, displacement of thermal generation by a higher renewable share, can have an impact on the results.</p> <p>If the company does not remain aligned with the preferences of customers and other stakeholders, it could also affect its reputation.</p> <p>A failure to decarbonise in the face of investor and lender expectations could have a material adverse effect on the company's ability to use the funding in its future projects.</p>	<p>Promote the development and generation of renewable gases (biomethane and green hydrogen), energy storage and other technologies for energy transition to a decarbonised economy. The targets of the Strategic Plan are:</p> <ul style="list-style-type: none"> <li>▪ Increase installed renewable capacity up to approximately 10 GW.</li> <li>▪ Distribute 0.52 TWh of biomethane.</li> </ul> <p>Developing new low-carbon or carbon-neutral products and services to pave the way to decarbonisation for our customers:</p> <ul style="list-style-type: none"> <li>▪ Naturzero, a new brand launched in 2023 designed to accompany customers in their decarbonisation objectives, through actions to mitigate and adapt to climate change.</li> <li>▪ Management of Energy Saving Certificates (ESC), with the aim of incentivising investment in real energy efficiency actions, in turn optimising its contribution to the National Energy Efficiency Fund (FNEE).</li> <li>▪ Naturgy Solar, launched in 2022 to promote self-consumption by our customers in all market segments. It is a comprehensive and customised solution to facilitate access to photovoltaic solar energy and self-consumption, which will enable customers to achieve savings of up to 70% on their electricity bill.</li> <li>▪ In addition, in 2023 Naturgy launched its Virtual Battery, a new product integrated into its solar offer that allows customers with a photovoltaic system to accumulate the energy surpluses that are not remunerated in the bill as credit in a Virtual Battery and thus obtain an amount that reduces the cost of their energy bill.</li> </ul> <p>Increase in the weight of electricity in the company's portfolio.</p>

<b>Transition: Reputational</b>	Litigation and sanctions related to alleged company or sectoral liability for climate change impacts	<p>Failure to decarbonise in line with the expectations of stakeholders, society and regulatory requirements, is a major risk to Naturgy's reputation as a responsible company and a leading energy company in the market.</p> <p>The impact of this risk includes possible litigation and penalties, shareholder divestment, increased regulatory scrutiny, tightening of financing or loss of customer share as a result of the public interest group protests.</p>	Naturgy's commitment to achieve net zero GHG emissions by 2050 and emission reduction targets and plans aligned with the Paris Agreement and climate policies.
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**Management of climate change opportunities**

Naturgy believes that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investments in inclusive smart grids, greater electrification, sustainable mobility, biomethane development, green hydrogen, etc.) outweigh the risks.

As with risks, opportunities linked to climate change are also identified. Those considered in the Strategic Plan 2021-2025 are:

Identification		Opportunity management	
Type	Opportunities in detail	Management and use measures	
Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation	Development of new renewable installed capacity (solar and wind)	<p>Development of new renewable projects to decarbonise power generation. Reduce investment costs compared to other technologies, with 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.). In the medium-term, combined-cycle power stations represent the best possible back-up for renewable energy.</p>	
	Promotion and development of renewable gases	<p>The drive and innovation for the development of renewable gas (green hydrogen and biomethane) will provide a new energy product, which can replace natural gas, but with neutral CO<sub>2</sub>eq emissions in a circular economy model.</p> <p>Renewable gas will maintain the value of distribution network assets in the long-term and decarbonise the energy that customers use with minimal changes to their facilities in a more efficient manner thanks to existing gas infrastructures.</p>	
	Natural gas as energy for the energy transition	<p>Penetration of natural gas and LNG in carbon-intensive markets to replace high-emission fossil fuels (coal, oil), in line with the pace of the international climate agenda.</p> <p>Supply of new products to offer customers a decarbonised alternative, such as Naturzero.</p>	
	Self-consumption	Development of new services to promote renewable self-consumption by customers, currently launched through Naturgy Solar.	
	Energy efficiency	<p>Promotion of energy efficiency in both internal and customer processes, with a commitment to business models of energy service companies (ESCOs).</p> <p>Incentive for investment in real energy efficiency actions through the Management of Energy Saving Certificates (ESC).</p>	
	Digitalisation to provide new customer services	The use of technologies such as the Internet of Things (IoT) and artificial intelligence makes it possible to develop the figure of the active customer, that is, a customer that 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.	
	Smart and integrated networks (gas and electricity)	<p>The digitalisation and integration of electricity and gas grids will enable dynamic demand management, cost reduction, increased security of supply.</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>	
	Sustainable mobility	Penetration in the road and maritime mobility sector through the development of electric and gas solutions, which allow the reduction of CO <sub>2</sub> emissions, the improvement of air quality and the obtaining of economic savings for users. In the case of maritime transport, LNG is the most eco-efficient alternative in terms of GHG emissions.	
	Increased electricity demand due to increased share of electrification	Strengthening the position in the electricity business	Growth in the electricity distribution business associated with the growing trend towards electrification of the economy.
	Use of public sector incentives	Receipt of public subsidies aimed at the energy transition	<p>Opportunity associated with the receipt of public grants for contributing to the energy transition for projects that would otherwise be unprofitable.</p> <p>Strengthening governance and policies on sustainability and climate change to cover requirements for subsidies, while also improving the expectations of customers, investors and society in general. Improvement of the position with ESG investors and access to improved conditions of funding</p>

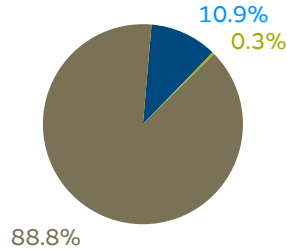
## Objectives and metrics

[305-1] and [IF-EU-110a.3]

### The carbon footprint at a glance

#### Footprint 2023

114.6 million  
tCO<sub>2</sub> eq



#### Carbon footprint reduction between 2017 and 2023

↓ **41%** Emissions scopes 1 and 2

↓ **30%** Total carbon footprint (scopes 1, 2 and 3)

**Scope 1**  
Direct emissions  
12.5 MtCO<sub>2</sub>eq

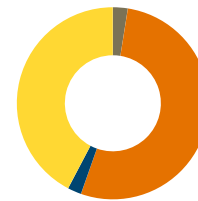
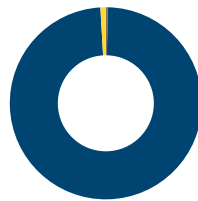
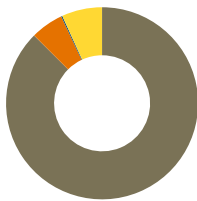
**Scope 2**  
Indirect emissions  
0.4 MtCO<sub>2</sub>eq

**Scope 3**  
Other indirect emissions  
101.7 MtCO<sub>2</sub>eq

↓  
**Scope 1 reduction between 2017 and 2023**  
↓ **39%**

↓  
**Scope 2 reduction between 2017 and 2023**  
↓ **69%**

↓  
**Scope 3 reduction between 2017 and 2023**  
↓ **29%**



87% fossil fuel power stations

98% losses in electricity distribution networks

95% customer emissions from gas distributed and commercialised

■ Electricity generation  
■ Electricity distribution

■ Gas distribution  
■ Procurement, LNG and gas commercialisation

**Total offset emissions in 2023: 459,595 tCO<sub>2</sub>eq**

## Carbon footprint inventory

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

### ▪ Total GHG emissions (tCO<sub>2</sub>eq)

[IF-EU-110a.1]

	2023	2022
<b>Scope 1</b>	<b>12,463,378</b>	<b>14,741,483</b>
<b>Scope 2</b>	<b>397,497</b>	<b>363,489</b>
Market	0	0
Location	397,497	363,489
<b>Scope 3</b>	<b>101,726,269</b>	<b>110,079,558</b>
Goods and services purchased	186,131	
Capital goods	0	
Activities associated with upstream fuels and energy	25,367,070	28,990,579
Coal	0	
Natural gas	22,738,966	26,448,521
Oil	263,439	256,060
Electricity	2,364,665	2,285,998
Transport and distribution of goods	0	
Waste produced in the operation	0	
Business trips	2,068	1,212
Mobilisation of employees	5,408	5,489
Upstream leased goods	0	
Downstream transport and distribution	0	
Procedure for products sold	0	
Use of products sold: natural gas	76,165,592	80,838,787
End-of-life processing of products sold	0	
Downstream leased goods	0	
Franchises	0	
Investments	0	
<b>Total</b>	<b>114,587,144</b>	<b>125,184,530</b>

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

Scope 1 emissions have decreased by 2.3 MtCO<sub>2</sub>eq. This decrease in emissions is mainly due to two factors:

- Renewable generation in Spain increased by 46% compared to the previous year, driven by improved conditions for hydropower production, which were double the 2022 values (108%), and for solar and wind production, which generated 53% and 15% more respectively. Therefore, to meet Naturgy's electricity demand, production from combined cycle power stations has fallen by 7,709 GWh. By contrast, combined cycle power stations in Mexico have increased their generation by 1,222 GWh. Considering the average emission factor of the cycles to be of 357 tCO<sub>2</sub>eq/GWh the net decrease in production means a decrease in emissions of 2.3 MtCO<sub>2</sub>eq.
- Increase in production in the Dominican Republic from thermal power plants of 128 GWh, which has meant an increase of 0.1 MtCO<sub>2</sub>eq.
- Better management of fugitive emissions in gas distribution and especially in Argentina have led to a reduction of -0.1 MtCO<sub>2</sub>eq.

Scope 2 emissions have remained almost unchanged with a difference of 0.03 MtCO<sub>2</sub>eq during 2023 compared to 2022.

Scope 3 emissions have decreased by 8.35 MtCO<sub>2</sub>eq. This decline is mainly due to two factors:

- Indirect emissions from downstream end-use of gas vehicles (category A3.11) have been reduced by 4.7 MtCO<sub>2</sub>eq due to falling demand for natural gas in final consumption, in Spain due to higher prices compared to years prior to 2022 and to a lesser extent due to unusually high temperatures. The non-recovery of prices to pre-2022 levels and the adjustments made by countries in terms of energy efficiency and security of supply have also affected wholesale gas demand in Europe. In Chile and Brazil, inflationary trends continue to affect commodity prices, which has led to slight falls in consumption. The decrease in the volume of international LNG sales can be attributed to Europe's policies aiming to ensure gas supply, along with measures to promote energy efficiency and the expansion of renewable capacity aimed at reducing dependence on external sources. Thus, the gas vehicle consumption outside the organisation (indirect consumption), after deducting own consumption and double bookkeeping, has been reduced to 418.6 TWh in 2023, which represents a reduction in emissions of 4.7 MtCO<sub>2</sub>eq in terms of emissions;
- Upstream indirect emissions of vehicle gas (category A3.3) have been reduced by 3.6 MtCO<sub>2</sub>eq mainly due to the decrease in the vehicle gas already mentioned.

▪ **Inventory of GHG emissions Scopes 1, 2 and 3 by country (tCO<sub>2</sub>eq)**

<b>Country</b>	<b>Scope 1</b>	<b>Scope 2</b>	<b>Scope 3</b>
Spain	5,815,317	9,163	31,463,956
Mexico	5,378,964	0	4,958,271
Chile	49,908	1,670	5,627,026
Dominican Republic	486,852	0	203,232
Argentina	666,044	98,258	21,376,888
Brazil	46,739	500	7,841,041
Panama	1,925	286,542	1,631,849
Costa Rica	5	0	15
Australia	17,624	1,364	168
Rest	0	0	28,623,823
<b>Total</b>	<b>12,463,377.9</b>	<b>397,497</b>	<b>101,726,269</b>

▪ **Inventory of GHG emissions Scopes 1, 2 and 3 by business area (tCO<sub>2</sub>eq)**

	<b>Scope 1</b>	<b>Scope 2</b>	<b>Scope 3</b>
Generation Spain	5,045,620	0	1,355,731
International generation (GPG)	5,853,290	1,363.6	1,187,626
Procurement, LNG and Commercialisation	686,542	0	53,696,861
Gas distribution Spain	60,002	502.28	5,251,227
Electricity distribution Spain	21,869	8,660.88	97,477
Gas distribution Argentina	664,290	2,014	20,430,158
Electricity distribution Argentina	0	94,918	635,930
Gas distribution Brazil	41,287	284	7,838,468
Gas distribution Chile	49,115	771	5,431,170
Gas distribution Mexico	33,489	0	3,974,446
Electricity distribution Panama	1,880	286,542	1,631,408
Corporate	5,993.8	2,442	195,768
<b>Total</b>	<b>12,463,378</b>	<b>397,497</b>	<b>101,726,269</b>

• **GHG emissions intensity ratio**

[305-4]

**2023**

	<b>Electricity generation</b>	<b>Gas distribution</b>	<b>Electricity distribution</b>	<b>Gas infrastructure</b>	<b>Commercialisation</b>	<b>Corporate</b>	<b>Total</b>
CO <sub>2</sub> (tCO <sub>2</sub> eq)	10,846,621	19,375	0	660,512	11,828	5,729	11,544,065
CH <sub>4</sub> (tCO <sub>2</sub> eq)	28,297	828,799	0	13,326	29	23	870,475
N <sub>2</sub> O (tCO <sub>2</sub> eq)	5,541	9	0	834	6	33	6,423
SF <sub>6</sub> (tCO <sub>2</sub> eq)	17,441	0	23,749	5	1	0	41,196
HFC (tCO <sub>2</sub> eq)	1,011	0	0	0	0	208	1,219
PFC (tCO <sub>2</sub> eq)	0	0	0	0	0	0	0
Total group	10,898,910	848,183	23,749	674,678	11,865	5,994	12,463,378
Net turnover (€M)							22,617
<b>Ratio (tCO<sub>2</sub>eq/€M)</b>							<b>551</b>



2022

	Electricity generation	Gas distribution	Electricity distribution	Gas infrastructure	Commercialisation	Corporate	Total
CO <sub>2</sub> (tCO <sub>2</sub> eq)	13,111,844	6,694	0	643,877	14,639	7,694	13,784,749
CH <sub>4</sub> (tCO <sub>2</sub> eq)	7,246	903,420	0	11,209	37	32	921,944
N <sub>2</sub> O (tCO <sub>2</sub> eq)	6,671	4	0	1,953	7	48	8,682
SF <sub>6</sub> (tCO <sub>2</sub> eq)	536	0	23,054	0	7	0	23,596
HFC (tCO <sub>2</sub> eq)	2,065	0	0	0	0	447	2,511
PFC (tCO <sub>2</sub> eq)	0	0	0	0	0	0	0
Total group	13,128,361	910,118	23,054	657,039	14,690	8,221	14,741,483
Net turnover (€M)							33,965
<b>Ratio (tCO<sub>2</sub>eq/€M)</b>							<b>434</b>

The increase in the ratio of emissions by net turnover increase (tCO<sub>2</sub>eq/€M) is due to the fact that the decrease in Scope 1 emissions in 2023 compared to the previous year (-15%) was lower than the recorded decrease in net turnover for the same time period (-33%), resulting in a 27% higher intensity ratio.

### Other climate change indicators

[305-1] and [IF-EU-110a.2]

	2023	2022
Emission intensity in electricity generation (tCO <sub>2</sub> /GWh) <sup>(*)</sup>	247.1	279.31
Emissions associated with electric power supplies <sup>(**)</sup> (MtCO <sub>2</sub> eq)	7.8	10.2
Installed emission-free electricity generation capacity (%)	41	37
Net electricity production free of emissions (%)	37	29
Total installed capacity in renewable electricity generation (MW)	6,416	5,462
Increase in installed capacity in renewable electricity generation compared to the previous year (%)	17	6
Emissions by leaks in gas networks (tCH <sub>4</sub> /km network)	0.210	0.237
Emissions by leaks in gas networks (tCO <sub>2</sub> eq/km network)	6.0	6.6
Fugitive natural gas relative to gas transported and distributed in gas networks (%)	0.14	0.15

(\*) This ratio corresponds to direct CO<sub>2</sub> emissions from electricity generation (Scope 1) divided by electricity produced.

(\*\*) Emissions associated with electricity supplies include all customers, both retail and wholesale.

The emission intensity of electricity generation has improved compared to the previous year due to the fact that 2023 has been a wetter year in Spain which, together with increased wind and solar energy generation, has decreased the production of electricity from combined-cycle power stations and is slightly above the 2023 target path value, 253.58 tCO<sub>2</sub>/GWh.

As can be seen, emissions from gas leaks have decreased by 11% in terms of tCH<sub>4</sub>/km. This trend is reversed compared to previous years due to better management of fugitive emissions in gas distribution and, especially in Argentina, have led to a reduction of -0.1 MtCO<sub>2</sub>eq.

## **GHG emissions reduction and associated energy savings**

Naturgy has achieved significant reductions in GHG emissions, both direct and indirect, through initiatives that prioritise energy efficiency and the adoption of cleaner technologies. This not only helps mitigate climate change but also produces tangible energy consumption savings. The criteria considered for quantifying these reductions are summarised below:

- Projects and activities must have quantifiable GHG emission and energy reductions against a baseline, which is defined on a case-by-case basis and measured over a specific period.
- They are calculated as the difference between emissions from “with project” and “without project” scenarios. Those from the “with project” scenario represent the actual level of GHG emissions. Those from the “without project” scenario represent the GHG emission levels that would have been achieved with other more emitting sources if the project were not implemented.
- The emission factors used for the “with project” and “without project” scenarios are obtained following the 2006 IPCC guidelines for the preparation of national GHG inventories.
- Calculations are made in accordance with the United Nations Framework Convention on Climate Change (UNFCCC) methodologies and tools for the Clean Development Mechanism (CDM) projects.

▪ **Initiatives for reducing GHG emissions and associated energy savings**

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

Initiatives	Emissions reduction 2023 (tCO <sub>2</sub> eq) <sup>(1)</sup>	Energy savings 2023 (GWh)	Emissions reduction 2022 (tCO <sub>2</sub> eq) <sup>(1)</sup>	Energy savings 2022 (GWh)
<b>Natural gas: displacement of more emission-intensive fuels such as coal and oil derivatives</b>	<b>102,423,666</b>	<b>151,539</b>	<b>102,483,501</b>	<b>152,812</b>
Electricity production	75,091,734	132,394	76,619,897	134,852
Industry	15,707,888	7,032	14,945,839	6,579
Residential/Commercial	9,584,674	10,069	8,863,550	9,322
Transport	2,039,370	2,043	2,054,215	2,058
Co-generation <sup>(2)</sup>				
<b>Renewable energies: displacement of fossil fuel generation</b>	<b>7,146,394</b>	<b>25,592</b>	<b>6,295,743</b>	<b>23,667</b>
Wind farms	4,001,099	14,537	3,326,930	12,663
Hydroelectric production	2,495,579	8,584	2,377,780	9,002
Photovoltaic production	635,765	2,471	562,079	2,002
<b>Energy savings and efficiency in own and customers' facilities</b>	<b>648,079</b>	<b>2,600</b>	<b>835,969</b>	<b>2,664</b>
<b>Own facilities: Energy Efficiency Operations Plan</b>				
Renewal of gas transmission and distribution networks	104,403	67	355,088	229
Actions in electricity distribution	59,227	203	28,125	114
CCGTs	386,772	1,794	292,542	1,439
Coal-fired power stations	0	0	0	0
Fuel oil-fired power stations	681	3	0	0
<b>Customer facilities</b>				
Energy services	96,998	533	160,214	882
<b>Other</b>				
Nuclear production	2,455,962	-4,325	2,226,473	-5,265
<b>Total</b>	<b>112,674,102</b>	<b>175,407</b>	<b>111,841,686</b>	<b>173,879</b>

<sup>(1)</sup> The emissions reduction is 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.

<sup>(2)</sup> The emissions reduction from the use of natural gas inco-generation in 2023 are included in electricity generation.

## Climate neutrality target by 2050

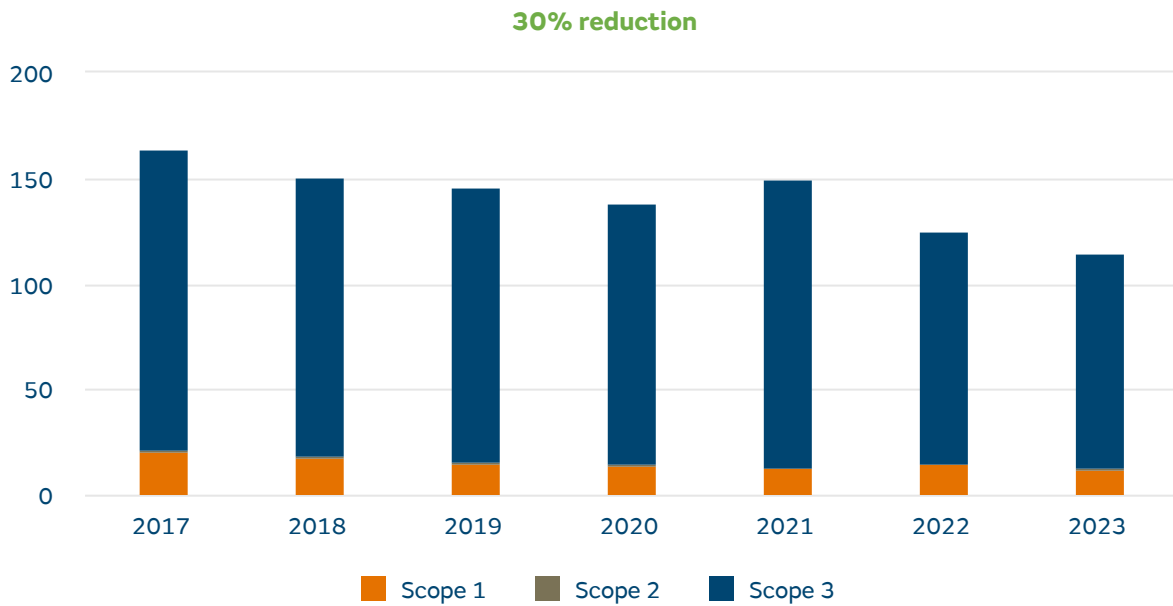
In the Strategic Plan 2021-2025, updated in 2023, Naturgy is committed to achieving climate neutrality, i.e. zero net GHG emissions, by 2050. This target includes all scopes 1, 2 and 3 of the carbon footprint, all greenhouse gases and applies to all of the company's activities and geographies, with no exclusions. The priority is to reduce emissions as much as possible, considering, if necessary, the use of GHG emission absorption mechanisms to offset residual emissions.

Work is being done on emission reduction pathways in the three scopes with intermediate milestones to achieve net zero in 2050 according to the temperature scenarios of the Paris Agreement and in the case of Spain, additionally, with what is contemplated in the update of the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) and supported by the draft 2023-2030 PNIEC for Spain, sent to the EU June 2023.

The difficulty in establishing these intermediate paths is the current uncertainty of the evolution of new non-emitting technologies alternative to natural gas and the energy and climate change policies implemented in each country where the company is present.

	Emissions	Approval year	Base year	Target (% reduction)	Target (MtCO <sub>2</sub> eq)	2023 (MtCO <sub>2</sub> eq)	2023 (% compliance)	Base year (MtCO <sub>2</sub> eq)
Neutrality 2050 (net zero)	MtCO <sub>2</sub> e	2021	2017	↓100%	0.00	114.6	30 %	164.5

▪ **Evolution of the carbon footprint (MtCO<sub>2</sub>eq)**



**Intermediate targets for 2025 and 2030**

Intermediate absolute emissions targets for 2025 and 2030

In 2015, Naturgy set targets to 2025 and 2030 taking 2012 as the base year to meet the requirements of the Science Based Target Initiative (SBTI) Tool v.8. The 2025 target has been updated as the 2021-2025 Strategic Plan has been revised in 2023.

The 2030 target is maintained as a medium-term goal aligned with science (Science Based Target).

- To reduce GHG Scope 1 and 2 emissions by 4.7% per year by 2030 compared to the base year 2012, a 58% decrease in absolute terms.

Naturgy’s short-term emission reduction targets established in its 2021-2025 Strategic Plan, updated in 2023, and included in the Sustainability Plan, are:

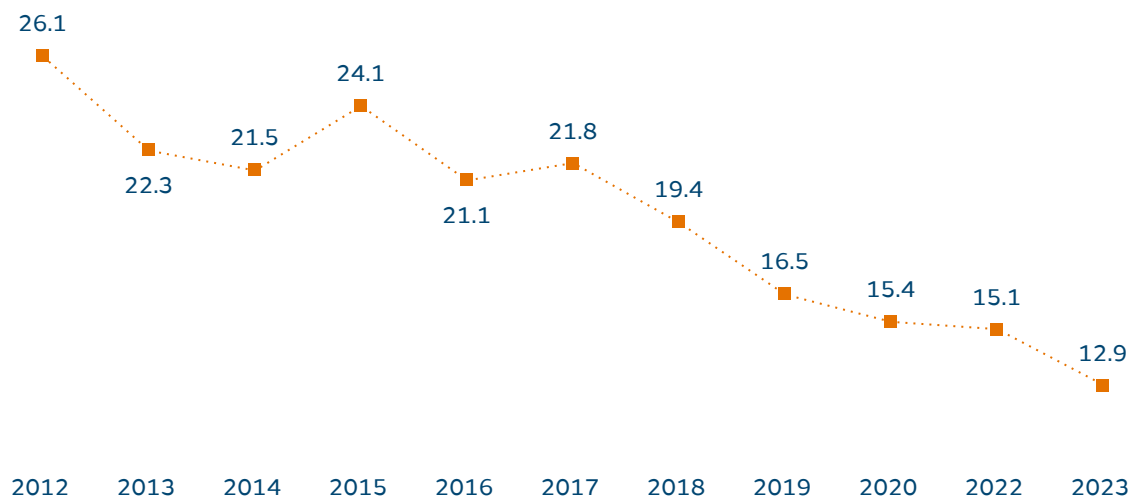
- To reduce GHG Scope 1 and 2 emissions by 50% in 2025 compared to the base year 2017.
- To reduce GHG Scope 3 emissions by 23% in 2025 compared to the base year 2017.

The targets set are aligned with the overall average reduction required under SBTi for a 1.5°C temperature increase scenario and for Scopes 1 and 2 and WB2DS for Scope 3. These objectives are not validated by the initiative since as of the date of this report SBTi has not published the validation protocol with the reference pathways for the oil & gas sector.

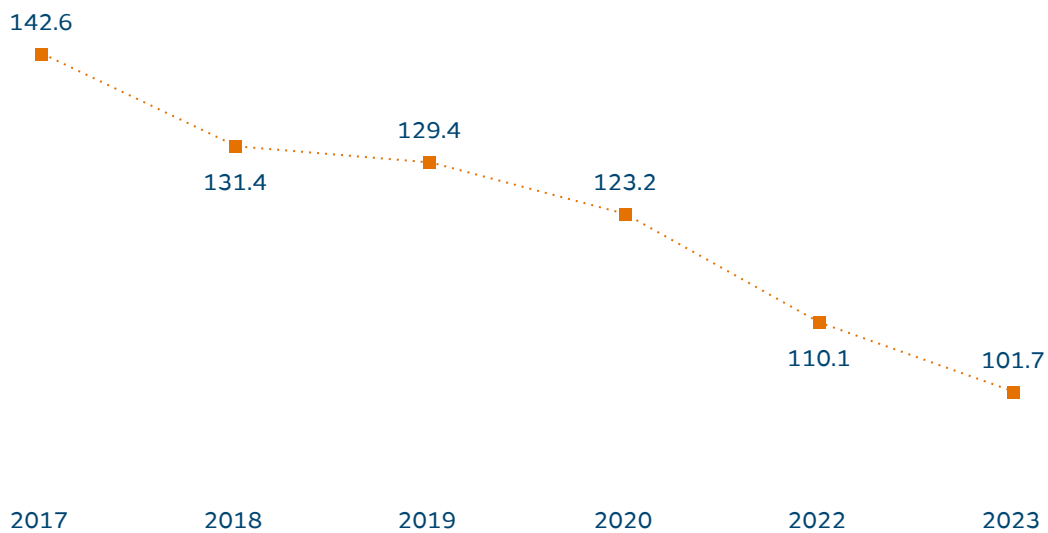
	Scope	Approval year	Base year	Target (% reduction)	Target (MtCO <sub>2</sub> eq)	2023 (MtCO <sub>2</sub> eq)	2023 (% compliance)	Base year (MtCO <sub>2</sub> eq)
Strategic Plan 2025	A1+A2	2021	2017	↓50%	11.0	12.9	83 %	21.8
Strategic Plan 2025	A3	2021	2017	↓23%	109.4	101.7	123 %	142.6
2030	A1+A2	2015	2012	↓58% (4,7% anual)	11.0	12.9	88 %	26.1

<sup>(1)</sup> Targets reformulated in 2023 with the updated values from the Strategic Plan 2025.

▪ **GHG Emissions Scopes 1 & 2 (MtCO<sub>2</sub>eq)**



▪ **GHG Emissions Scope 3 (MtCO<sub>2</sub>eq)**



**Intermediate emissions intensity targets for 2025 and 2030**

Emissions intensity targets are expressed as the amount of CO<sub>2</sub> emitted per electrical energy produced (tCO<sub>2</sub>/GWh) and cover the activity of generation, which is responsible for nearly 90% of the company’s direct emissions.

In 2015, Naturgy set emissions intensity targets to 2025 and 2030 taking 2012 as the base year to meet the requirements of the Science Based Target Initiative (SBTI) tool v.8. The 2025 target has been updated as the 2021-2025 Strategic Plan has been revised in 2023.

The 2030 target is maintained as a medium-term aligned goal, although it has not been validated by science (Science Based Target):

- Reduce the GHG emissions intensity of electricity generation by 4.8% per year by 2030 compared to the base year 2012, a 52% decrease in absolute terms.

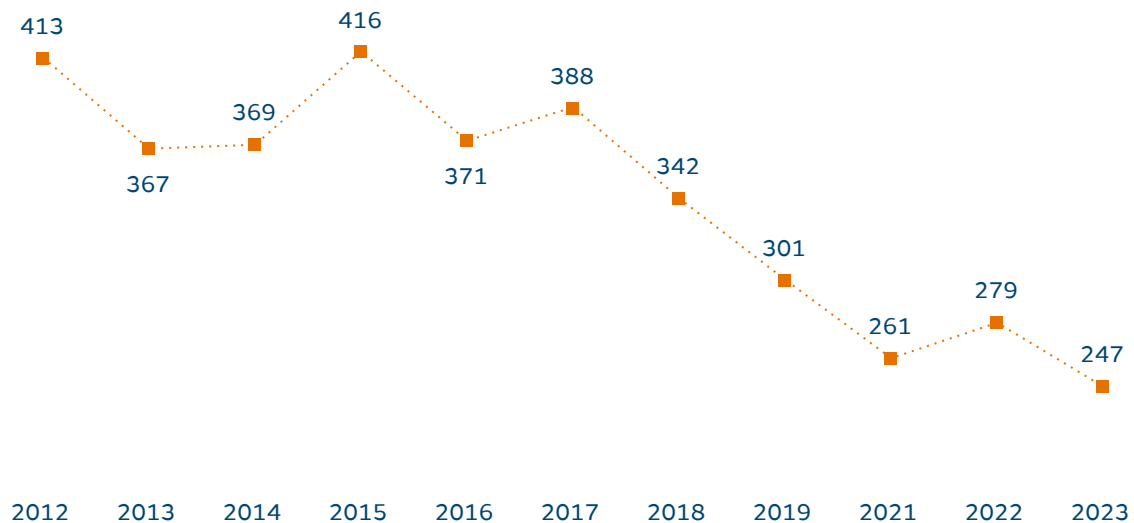
Naturgy’s short-term emission reduction targets established in its 2021-2025 Strategic Plan, revised in 2023, and included in the Sustainability Plan, are:

- Reduce the GHG emissions intensity of electricity generation by 49% by 2025 compared to the base year 2017.

	Approval year	Base year	Target (% reduction)	Target (tCO <sub>2</sub> /GWh)	2023 (tCO <sub>2</sub> /GWh)	2023 (% compliance)	Base year (tCO <sub>2</sub> /GWh)
Strategic Plan 2025	2021	2017	↓49%	199	247	75 %	388
2030	2015	2012	↓52% (4% anual)	199	247	78 %	413

<sup>(\*)</sup> Targets reformulated in 2023 with the updated values from the Strategic Plan 2025.

▪ **Electricity generation carbon intensity (tCO<sub>2</sub>/GWh)**

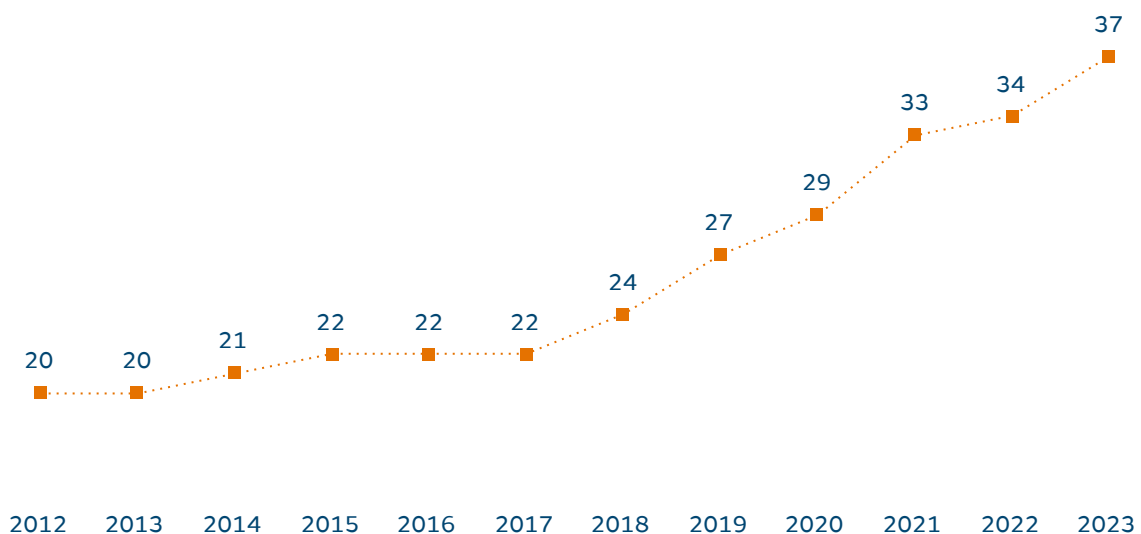


## Renewable energy target

The commitment to renewable energies is one of the strategic lines for the reduction of emissions. Accordingly, one of the targets of the Strategic Plan is that of reaching a 48% of renewable installed power in the generation mix by 2025. This value has been updated in 2023 with the revision of the Plan.

In Spain, 575 MW of renewable power came into operation in 2023, of which 541 MW is wind power and 34 MW is solar power. In Australia, Berrybank II (109 MW) has entered into operation in 2023, along with 21 MW of solar power in Chile and 300 MW of wind power in the US. On the other hand, 51 MW of La Joya hydropower plant in Costa Rica have been removed from the consolidation perimeter due to the end of the PPA period with ICE.

### ▪ Renewable power (%)



## Carbon Price

Naturgy uses different carbon price references depending on the objective pursued with the use of carbon. For example, it uses a CO<sub>2</sub> cost reference of around Euros 40/tCO<sub>2</sub> for example:

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

This is an average unit price applicable to all the company's businesses and is characterised by being a stable reference in the short and medium term. The price is calculated as the signal that maximises emission reductions in the power sector at the lowest possible cost in the EU-ETS, considering the cost-competitiveness analysis of thermal generation and renewable generation. This benchmark is considered a "barrier price" to displace coal-fired power generation in favour of gas-fired combined-cycle power stations on the wholesale electricity market, as wind and solar technologies do not need a CO<sub>2</sub> price to be competitive today and displace gas-fired combined-cycle power stations. This is therefore a price signal with which strategic decisions have been taken, such as the closure of Naturgy's coal-fired power stations. In addition, this price is being used as a valid reference in previous EU-ETS 2 analyses.

Naturgy recognises the role of carbon pricing mechanisms as the most effective way to implement the fulfilment of committed GHG emission reduction targets.

On the other hand, for the calculation of impairment losses on non-financial assets, see details in Note 4 of the 2023 Annual Financial Report, future CO<sub>2</sub> price projections have been used based on the best forward-looking information available to date, considering the thermal generation assumptions set out in the 2021-2030 PNIEC, endorsed by the recent draft pending approval by the EU.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CO <sub>2</sub> €/t	85.8	95.0	95.8	97.0	101.0	105.0	111.0	117.0	120.0	126.0

## Naturgy's GHG emissions offsetting

Emission offsetting is a voluntary instrument in the fight against climate change that consists of investment in projects registered under international or national standards, which generate CO<sub>2</sub> absorption credits (reforestation projects, blue carbon, etc.) and emission reduction credits (CERs, VERs, etc.), either through direct promotion in projects or through the secondary market. Many of these projects are implemented in developing countries as a form of crowdfunding for climate action, as the purchase of these credits enhances the global emissions reduction target, while at the same time benefiting local communities. Projects can be, for example, renewable energy (wind farms, biomass, hydro), energy efficiency, waste management, fuel substitution or forest conservation.

Naturgy carries out various types of initiatives to offset emissions, including the Neutral Gas, which offset the CO<sub>2</sub> emissions linked to the consumption of natural gas supplied to customers, both at residential and SME level, where 20% of demand has received offset natural gas, and at large customer level, where companies in the health sector, telecommunications or university have opted for a supply of offset natural gas. Clearing is done in voluntary markets, considering the customer's needs in terms of technology, geography and social impact. This compensation is certified by an accredited third party. In 2023, 443,683 tCO<sub>2</sub>e were offset, demonstrating the interest in this type of value-added products and services, and Naturgy's commitment to offering more sustainable products. The decrease compared to the previous year is in line with the decrease of natural gas commercialised in Spain.

In addition, through the COmpensa2 initiative, emissions from work centres, company trips and CO<sub>2</sub>eq emissions corresponding to mileage for the provision of maintenance services marketed by the company in the residential sector (Servigas, Servielectric and Servihogar) are offset.

The following table shows the amount of offset emissions by initiative:

### • Emissions offsetting

	Emissions offset in 2023 (tCO <sub>2</sub> eq)	Emissions offset in 2022 (tCO <sub>2</sub> eq)
Neutral Gas	443,683	487,460
COmpensa2 Initiative	15,912	10,416
Scope 1 emissions from fuel use in workplaces (fixed sources and fleet)	5,994	8,221
Scope 2 emissions from electricity consumption in workplaces	2,442	984
Scope 3 emissions from business trips (air and train)	7,476	1,212
<b>Total</b>	<b>459,595</b>	<b>497,876</b>



▪ **Description of the offsetting projects**

<b>Project</b>	<b>Description</b>	<b>Period</b>	<b>ton CO<sub>2</sub></b>
BR3958	Landfill Gas Project (Brazil)	CP2	4,000
MX0846	La Venta II (Mexico)	CP2	2,800
KE3773	Olkaria II Geothermal Expansion (Kenya)	CP2	320
EG490	Catalytic N <sub>2</sub> O destruction project in the tail gas of the Nitric Acid Plant of Abu Qir Fertilizer Co.	CP2	2,472
EG490	Catalytic N <sub>2</sub> O destruction project in the tail gas of the Nitric Acid Plant of Abu Qir Fertilizer Co.	CP2	2,567
CL822	Loma los colorados Landfill Project (Chile)	CP2	3,782
MD159	Biomass Heating in Rural Communities (Moldova)	CP2	518
VN9036	Khe Bo Hydropower Project in Vietnam	CP2	350,000
MX7346	Power and Energy Bii Hioxo Wind Farm	CP2	78,055
IN4831	FaL-G Brick and Blocks (India)	CP1	330
MD160	Biomass Heating in Rural Communities (Moldova)	CP1	31
BD5125	Improving Kiln Efficiency in the Brick Making Industry in Bangladesh.	CP1	90
MD173	Moldova Energy Conservation and Greenhouse Gases Emissions Reduction	CP1	23
PH5979	Methane recovery and combustion with renewable energy generation from anaerobic animal manure management systems under the Land Bank of the Philippines's (LBP) Carbon Finance Support Facility	CP1	40
RW3404	Project 3404: Rwanda Electrogaz Compact Fluorescent Lamp (CFL) distribution project.	CP1	71
			<b>454,099</b>

Nota:  
CP1: emitted 2008-2012.  
CP2: emitted 2013-2020.

The offsets in the table refer to the Gas Neutral 2023 plus the 2022 CCompensa2 initiative whose offsets took place in 2023.

Among the measures to be developed in the coming years is the CO<sub>2</sub> absorption project, Bosque Fundación Naturgy, which in 2023 was registered under the methodology of the Carbon Footprint and Emissions Offset Registry of the Ministry of Ecological Transition and Demographic Challenge. The project covers an area of approximately 7 ha in the municipality of Cadalso de los Vidrios (Madrid), where native species such as *Amelanchier ovalis* (Guillomo), *Celtis australis* (Almez), *Crataegus monogyna* (Majuelo), *Pinus pinaster* (Pino resinero), *Prunus spinosa* (Endrino), *Quercus ilex* (Encino) and *Sorbus aucuparia* (Serbal de los cazadores) have been planted in order to restore part of the soil and forest mass, degraded as a result of a fire in 2019.

In addition, in 2023 Naturgy verified and issued through the United Nations Registry, almost 2 Mt of CERs (certified emission reduction), generated from the MX7346 Fuerza y Energía de Bii Hioxo project, a wind farm with a capacity of 234 MW of gross electrical power, consisting of 117 three-bladed wind turbines, located in the municipality of Juchitán de Zaragoza, Oaxaca (Mexico), covering an area of 1,892 hectares where, generally, agricultural and livestock activities are practised. On average, the wind farm prevents the emission of more than 420,000 tCO<sub>2</sub>/year.

## Products to facilitate customer decarbonisation

The energy transition is an opportunity to offer new products and services to customers who are increasingly committed to low carbon strategies. These include: carbon footprint calculation, offsetting of emissions through voluntary markets, emission reduction plans for customers, self-consumption solutions, management of Guarantees of Origin (GoO) for electricity and the energy saving certificates market.

In 2023, Naturgy launched Naturzero, a new brand designed to accompany its customers in their decarbonisation objectives, through actions to mitigate and adapt to climate change, helping to position companies in a market that is increasingly aware of and values the most sustainable organisations and products. Naturzero will provide a comprehensive service to its customers, thanks to three associated products:

1. Naturzero Calcula, where the Group provides companies with the calculation of their carbon footprint in scopes 1, 2 and 3, verified by an accredited entity.
2. Naturzero Reduce, which will offer each customer an ad-hoc emissions reduction plan, which will be based on multiple energy solutions within the catalogue of services offered by the Group, including photovoltaic self-consumption with batteries or renewable gases such as biomethane. Many of these measures, aimed at reducing emissions, involve more efficient energy consumption in lighting, air conditioning, heating and transport, leading to financial savings that benefit the consumer.
3. Naturzero Compensa, which offsets or neutralises emissions not avoided in the reduction plans.



## CO<sub>2</sub> emissions trading systems

Most of Naturgy's thermal electricity generation facilities in Spain are regulated by the European Emissions Trading Directive, which establishes the rules for the acquisition of emission rights equivalent to verified emissions from its combined-cycle and co-generation facilities, among others. This means that the Directive regulates the trading of this energy, which is why the company participates in the supply on the primary market through auctions, as well as on the secondary market. The emissions covered come from the combined-cycle gas-fired power stations and the Almazán co-generation power station, all of them located in Spain, and account for 100% of Naturgy's direct emissions (Scope 1) in 2023. The operation of these plants is included in the National Integrated Energy and Climate Plan (PNIEC) approved for the period 2021-2030 and endorsed in the draft 2023-2030 PNIEC submitted to Brussels in June 2023, aligned with the European goal of climate neutrality by 2050.

In Mexico, the Emissions Trading System (ETS) has been implemented, which includes emissions from combined-cycle power stations. The test phase went on from 2020 until 2022, and consisted of the free allocation of 100% of the facilities regulated by this cap & trade system, which emit more than 100,000 tCO<sub>2</sub>/year. From 2023 until 2026, the allocation of free allowances, as set out in the draft ETS Rules, is expected to cover projected emissions according to production projections. Even according to current estimates, a surplus of allowances allocated for free will be generated in this period compared to the emissions produced.

Installations registered in the ETS must submit emission allowances equivalent to the tons of CO<sub>2</sub> they emit. Currently, Naturgy's combined-cycle power stations in Mexico are registered in the ETS and have received the corresponding emission allowances from the authority.

▪ **CO<sub>2</sub> emissions covered by regulation or trading systems**

[IF-EU-110a.1]

	2023		2022	
	Emissions (MtCO <sub>2</sub> eq)	Percentage share of total Scope 1 emissions (%)	Emissions (MtCO <sub>2</sub> eq)	Percentage share of total Scope 1 emissions (%)
Scope 1 emissions covered by emission reporting regulations	12.5	100	14.7	100
Total Scope 1 CO <sub>2</sub> emissions affected by the regulations governing the European Emissions Trading System (EU-ETS)	4.9	39	7.4	50
Total Scope 1 CO <sub>2</sub> emissions affected by the regulations governing the Mexican Emissions Trading System (SCE-MX)	5.5	44	5.2	35

## 4. Circular economy and eco-efficiency

[3-3]

(Circular economy and eco-efficiency)

Naturgy is committed to promoting the circular economy by following the following principles of action, which are included in the Environmental Policy:

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

### 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. With regard to energy, Naturgy's commitment to renewables and the promotion of energy savings and efficiency, both in its own facilities and in homes, businesses and customer facilities, helps reduce environmental impacts.

Energy consumption data both inside and outside the organisation are given below <sup>1</sup>.

#### ▪ Total energy consumption within the organisation (GWh)

[302-1] and [IF-EU-000.E]

	2023	2022
Non-renewable fuels	77,592	91,156
Natural gas	61,823	75,597
Coal	0	0
Petroleum derivatives	2,327	2,262
Uranium	13,442	13,298
Renewable fuels		
Electricity acquired for consumption	1,369	1,155
Renewable electricity generated (not included in the consumption of fuels)	12,409	9,353
Electricity and steam sold	-43,888	-47,029
<b>Total</b>	<b>47,482</b>	<b>54,635</b>

The 2022 uranium consumption data has been modified due to an improvement in the determination method, which increases the accuracy of the reported data.

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

#### ▪ Energy intensity within the organisation

[302-3]

	2023			2022		
	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)
<b>Total</b>	47,482	22,617	2.10	54,635	33,965	1.61

The energy consumption figure within the 2022 organisation has been modified due to an improvement in the method of determining uranium consumption (see table above).

<sup>1</sup> Energy consumption data have been extracted from direct measurements using conversion factors published by the Spanish Climate Change Office or other authoritative sources.

## ▪ Energy consumption outside the organisation (GWh)

[302-2]

	2023	2022
Final use of the natural gas commercialised	418,602	481,610
Electricity	15,920	14,004
<b>Total</b>	<b>434,522</b>	<b>495,614</b>

In 2023, there is a 13% decrease in the consumption of energy resources within the organisation due to a decline in electricity generation from gas combined-cycle power stations in Spain. This situation is due to the increased production of renewable generation, which has reduced the need for back-up from these facilities. Outside the organisation, there has also been a 12% decrease due to the reduction in the end demand for natural gas.

## ▪ Materials used, by weight or volume (Mt)

[301-1]

Fuels	2023	2022
Natural gas	4.1	5.1
Petroleum derivatives	0.2	0.2
Uranium	0.00001	0.00001
<b>Total fuels</b>	<b>4.35</b>	<b>5.24</b>

## ▪ Materials used, by weight or volume (kt)

[301-1]

Other materials (non-combustible)	2023	2022
Lubricant/hydraulic oil	0.9	0.8
Sulphuric acid	1.3	1.1
Nitrogen	0.3	0.9
Sodium hypochlorite	0.5	0.6
Calcium hydroxide	0.2	0.7
Sodium hydroxide	0.6	0.7
Rest of other materials <sup>(*)</sup>	2.1	1.9
<b>Total other materials</b>	<b>6.0</b>	<b>6.7</b>

<sup>(\*)</sup> Includes paper and toner consumption, which in 2023 amounted to 45 t and 0.5 t respectively, much lower than in 2021 (57.7 t and 0.9 t respectively).

With regard to the materials used, it is noted that there has been a 17% decline in fuel consumption due to the decreased operation of combined-cycle power stations. In other non-fuel materials the reduction was 11% compared to the previous year. In both cases, this reflects an improvement in eco-efficiency.

## Water

[303-1], [303-2] and [IF-EU-140a.3]

### Sustainable water management

Water, an essential commodity for life, is one of the natural resources used in the company's processes. Water management merits special consideration, which Naturgy carries out through the analysis of the risks related to its use, based on the use of different methodologies and the consideration in the corporate risk map. In particular, it pays special attention to water consumption, water quality control in discharges, ecological management of reservoirs, and prioritises eco-efficiency and water reuse in processes, for example, by integrating waste water from other activities.

In 2023, Naturgy achieved an outstanding A- rating by CDP Water, reflecting our commitment to responsible water management.

The table Potential impacts on biodiversity in the Biodiversity and natural capital section of this report describes the main potential impacts that Naturgy's activities may have on the water resource.

Naturgy applies the precautionary principle to avoid possible negative impacts on water management. In the design phase of facilities, environmental impact studies are conducted, in which project alternatives and the natural environment are considered, paying special attention to water and its availability, both for the ecosystems and for the affected population. Consequently, 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 in order to ensure the participation and input of stakeholders. The result is an environmental authorisation that specifies the specific conditions of the project and guarantees water management adjusted to the local context of natural resource availability and compliance with 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 take place, as well as the environmental authorisations to ensure the quality of the environment and the availability of the shared resource (guaranteed by the environmental management system). In addition, strict operational control and risk management procedures (environmental emergency plans, drills, etc.) are implemented to prevent incidents before they occur or minimise damage.

In fact, 186 studies were conducted in 2023, especially in the field of electric power generation facilities (thermal, hydropower) to monitor the water impacts of the environment. In the case of thermal and hydropower plants, sampling campaigns have been carried out to determine the physical, chemical and biological characteristics of the aquatic environment (rivers, reservoirs, etc.). Recent studies confirmed the normal situation observed in recent years, and concluded that the facilities studied had an acceptable impact. With regard to the incidents that have occurred, two one-off excesses were recorded in 2023. In the first case the pH value of the discharge and in the other case the chloride concentration and conductivity. After analysis of the causes of the incidents, it was verified that in both cases they were related to the malfunctioning of certain equipment, which was replaced or recalibrated. In neither case have there been any associated consequences.

- **Number of incidents of non-compliance related to water quantity or quality permits, standards and regulations**

[IF-EU-140a.2]

	<b>2023</b>	<b>2022</b>
Number of incidents	2	0

Beyond its own facilities, Naturgy pays attention to water risks in its supply chain. These are considered to be the result of the combination of activity risk (water risk inherent to the supplier's activity) and country risk (water risk inherent to the country or location of a given facility). Thus, this combination allows it to assign each category of purchases a level of risk: high, medium or low, considering high-risks critical, as detailed in section "Supply chain" of this report. In addition, Naturgy has a life cycle analysis methodology to analyse the impact associated with the products and services that have the greatest impact on water in its value chain.

- **Water collection, consumption and discharge (hm<sup>3</sup>)**

[303-3] and [303-5]

	<b>2023</b>	<b>2022</b>
Total volume of water captured from the environment	776.7	920.6
Total water consumption	17.0	18.8
Total volume discharged	759.8	902.0

Most of the total water collected by the company is returned to the environment, with consumption representing a very small percentage of the total, just 2.2%. The most relevant installations in relation to water management are combined-cycle power stations, which are responsible for more than 98.1% of the company's total water consumption. It is important to highlight that all of them implement water management plans, endorsed by the ISO 14001 environmental certification, with which the fulfilment of improvement objectives is assessed each year and the monitoring of collection, consumption, discharge, accident prevention, etc. is maintained.

Globally, in absolute terms in 2023 there has been a 10% decrease in water consumption and a 16% decrease in water abstraction and discharge. This has been due to the fact that in Spain it has been a meteorologically favourable year for renewable generation, so the combined-cycle power stations, which act as backup for hydropower and wind generation, have operated less, producing a 20% less electricity than in 2022, which was especially dry.

To further interpret these results, and given that electricity generation is the activity that uses the most water, the specific ratios of collection, consumption and discharge have been calculated. This indicator reflects the amount of water needed to generate one unit of electricity.

- **Specific ratios: water collection, consumption and discharge intensity for electricity generation specific ratios (hm<sup>3</sup>/TWh)**

[303-3]

	<b>2023</b>	<b>2022</b>
Water captured from the environment	17.7	19.6
Water consumption	0.39	0.40
Discharge	17.3	19.2

As can be seen, in relation to the electrical energy generated, all the ratios show a considerable improvement compared to the previous year, as there has been a gain in eco-efficiency, using less water to generate one unit of electrical energy. This is because the share of renewable electricity generated, which does not involve a significant water consumption, has increased by 33% in 2023 compared to 2022.

The existence and magnitude of the associated impacts depends not only on the amount of resource consumed but also on the source of water used. In this case, the main source of water used is seawater, which in 2023 accounts for 96.6% of the total. Wastewater from other industries or from urban sources accounts for 3.2% of the total, and is treated to be reused in the company's processes, thus avoiding the consumption of fresh water, especially in areas of scarcity.

- **Water collection by source (hm<sup>3</sup>)**

[303-3] and [IF-EU-140a.1]

	<b>2023</b>	<b>2022</b>
Surface water captured (sea <sup>(1)</sup> )	750.3	896.1
Surface water captured (rest <sup>(2)</sup> )	0.7	2.1
Groundwater captured <sup>(2)</sup>	0.5	0.4
Wastewater used from another organisation <sup>(1)</sup>	24.7	21.7
Water captured from the supply network <sup>(2)</sup>	0.4	0.3
<b>Total volume of water captured from the environment</b>	<b>776.7</b>	<b>920.6</b>

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

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

The increase in groundwater abstraction is due to the increased activity of co-generation plants in Spain, as it is these plants that use this source of supply.

The increase in water withdrawn from the supply network occurs mainly in the combined-cycle power stations in Spain and is due to the change in their operating regime. Combined-cycle power stations function as a back-up to the national electricity generation system, and therefore come into operation when there is insufficient renewable generation. The increase in renewable production in recent years, in particular in 2022 due to good weather conditions, has led to a decrease in the operation of combined-cycle power stations. However, although they generate less electricity, the number of annual start-ups has increased significantly, as they are increasingly required to provide complementary services to the electricity system (voltage control, etc.), with operations close to the technical minimum. This substantial change in their mode of operation leads to increases in the use of water from the supply network in the start-up processes due to the purging of the water-steam cycle.

#### ▪ **Water collection by salinity (hm<sup>3</sup>)**

[303-3]

	<b>2023</b>	<b>2022</b>
Volume of water with TSD > 1,000 mg/l	775.0	917.8
Volume of water with TSD ≤ 1,000 mg/l	1.6	2.8
Total volume of water captured from the environment	776.6	920.6

#### ▪ **Water consumption (hm<sup>3</sup>)**

[303-5] and [IF-EU-140a.1]

	<b>2023</b>	<b>2022</b>
Consumption of cooling water	12.9	16.3
Consumption of water in water/steam cycle	0.4	0.4
Consumption of water in other processes	3.4	1.8
Consumption of water in ancillary services and buildings	0.3	0.3
<b>Total</b>	<b>17.0</b>	<b>18.8</b>

The increase in water consumption in other processes occurs mainly in a combined-cycle power station in Spain, located on the coast, which uses seawater. The new operating regime of the combined-cycle power station explained above (increase in the number of daily start-ups and shutdowns) leads to a higher consumption of sodium hypochlorite, as it is used for shock treatments during start-ups. This reagent is produced in the facility's own electrochlorination plant and uses water.

As indicated, most of the water consumption occurs in thermal power stations, specifically in the cooling towers of combined-cycle power stations, where it evaporates to enable cooling and is released into the atmosphere in the form of steam, reintegrating into the natural water cycle.

Once used, the different water flows are segregated according to their nature and those that require it are treated at the effluent treatment plants, eliminating the contaminants they contain such as particles, oils, organic contamination, pH outside the range, etc., until the appropriate conditions are reached for their discharge. 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 2023, 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 were made. Most discharges are into the sea (99.76% of the total), followed by waterways (0.13%).



## ▪ Water discharge (hm<sup>3</sup>)

[303-4]

	2023	2022
Water discharged into the sea	758.0	900.4
Water discharged into waterways	1.0	1.3
Water discharged into the public sewerage system	0.5	0.3
Water discharged into septic tanks	0.0	0.0
Water discharged for use by an aquifer	0.0	0.0
Water discharged for reuse by third parties	0.3	
<b>Total volume discharged</b>	<b>759.8</b>	<b>902.0</b>

NB:

All discharges had a TDS concentration &gt; 1,000 mg/l.

In 2023, the category "Water discharged for reuse by third parties" was reported for the first time in order to reflect the flows that are used as input water by other organisations.

With regard to the pollutants released into the aquatic environment by discharges, the following table shows the weight of substances discharged into the water.

## ▪ Weight of discharged substances (kg)

Pollutant	Quantity discharged to water (kg)	
	2023	2022
Nitrogen and its compounds	14,922	21,853
Suspended solids	14,760	15,812
Sulphates	86,406	10,138
Nitrates	3,015	4,668
Phosphorus and its compounds	1,582	2,368
Oils and fats	2,208	1,427
Ammonium	1,336	1,070
Rest	613	177
<b>Total</b>	<b>124,842</b>	<b>57,512</b>

The significant increase in the sulphate value compared to the previous year is due to an accidental leak in a combined-cycle power station in Spain, due to the breakage of a pipe that transported seawater from the cooling circuit and ended up reaching the Effluent Treatment Plant by filtration through the drainage network. It has been estimated that the amount of sulphates discharged as a result of this accidental release was 80,283.25 kg.

The increase in the total amount of oils and fats discharged into the environment is related to the greater discharge of water in some of the combined-cycle power stations in Spain, although the concentration level of these pollutants in the discharges remains stable.

## Impact reduction in high water stress areas

The impact of water use depends on three factors: the quantity of water used, the type of water used (seawater, freshwater, etc.) and the level of water stress in the area. The term water stress refers to the relative scarcity of water in a region, a crucial factor in water management due to its impact on the availability and sustainable use of this vital resource.

To assess the effects on water-stressed areas, a materiality analysis was conducted. The findings indicate that combined-cycle power stations account for 98.1% of total water consumption, with other facilities showing negligible values. The following analysis focuses on this type of facility. To analyse the impact, combined-cycle power stations have been classified according to the level of water stress of their location, using Aqueduct's global water risk mapping tool.

### ▪ Water use in combined-cycle power stations according to water stress levels

	Total	In areas of high water stress	Fresh water collection in areas of high water stress
No. of facilities	15	10	3
Water collection (hm <sup>3</sup> )	776.7	195.4	0.9

NB: Plants are considered to be in water stress zones when water stress levels exceed 40%.

As can be seen, of the 15 combined-cycle power stations, 10 are located in areas of high water stress, of which only 3 have significant freshwater consumption (13% of all combined-cycle power stations). Most of the combined-cycle power stations were designed with a view to reducing the impact on areas with low water resources and operate with seawater or wastewater from other activities, and therefore do not consume fresh water. Thus, only 0.11 % of the water captured by combined-cycle power stations in water-stressed areas is fresh water.

The following table summarises the water abstraction, consumption and discharge associated with these plants in water-stressed areas.

### ▪ Water management in areas of high water stress (hm<sup>3</sup>)

[303-3]

	2023	2022
Total volume of water abstracted from the environment in water-stressed areas	195.4	247.1
Total water consumption in high water stress areas	11.8	13.7
Total volume discharged in water-stressed areas	183.6	233.5

As can be seen, in 2023, a significant environmental improvement was achieved through a 21% reduction in water abstraction and discharge, as well as a 14% decrease in consumption. This can be attributed to the reduced operation of combined-cycle power stations, leading to less strain on water resources and fostering a more sustainable approach to water usage. These data are analysed in more detail below.

### ▪ Water collection in high water stress areas

[303-3] and [IF-EU-140a.1]

Naturgy, aware of the situation of water stress or scarcity in the surroundings of some of its combined-cycle power stations, 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.

	Volume (hm <sup>3</sup> )		Percentage of total water captured (%)	
	2023	2022	2023	2022
Total water captured in high water stress areas	195.4	247.1	25.2	26.8
Seawater <sup>(1)</sup>	171.3	223.5	22.1	24.3
Fresh surface water <sup>(2)</sup>	0.7	2.1	0.1	0.2
Fresh groundwater <sup>(2)</sup>	0.0	0.1	0.0	0.0
Water from another organisation (reuse) <sup>(1)</sup>	23.2	21.3	3.0	2.3
Water captured from the supply network <sup>(2)</sup>	0.1	0.1	0.0	0.0
<b>Water collection <sup>(2)</sup> in high water stress areas</b>	<b>0.9</b>	<b>2.3</b>	<b>0.1</b>	<b>0.2</b>

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

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

### ▪ Water collection in high water stress areas by salinity (hm<sup>3</sup>)

[303-3]

	2023	2022	Percentage of total water captured (%)	
			2023	2022
Volume of water with TSD > 1,000 mg/l	194.5	244.8	25.0	26.6
Volume of water with TSD ≤ 1,000 mg/l	0.9	2.3	0.1	0.2
Total volume of water captured from the environment	195.4	247.1	25.2	26.8

Compared to 2022, there is a 21% decrease in water abstraction in areas of high water stress considering all sources (sea, reused, surface, etc.). The reduction is more relevant in freshwater abstraction, a 61% decrease, which means an improvement in the negative impacts linked to the use of this scarce resource.

The following tables show consumption and discharge in these areas.

### ▪ Water consumption in areas of high water stress (hm<sup>3</sup>)

[303-5]

	2023	2022	Percentage of total water consumption (%)	
			2023	2022
Consumption of cooling water	11.4	13.3	67.0	70.7
Consumption of water in water/steam cycle	0.2	0.3	1.4	1.6
Consumption of water in other processes	0.1	0.0	0.6	0.0
Consumption of water in ancillary services and buildings	0.0	0.1	0.2	0.5
<b>Total</b>	11.8	13.7	69.2	72.9

### ▪ Water discharge in areas of high water stress (hm<sup>3</sup>)

[303-4]

	2023	2022
Water discharged into the sea	182.7	232.5
Water discharged into waterways	0.8	0.9
Water discharged into the public sewerage system	0.1	0.0
Water discharged into septic tanks	0.0	0.0
Water discharged for use by an aquifer	0.0	0.0
Water discharged for reuse by third parties	0.0	
<b>Total volume discharged</b>	183.6	233.5

NB:

All discharges had a TDS concentration &gt; 1,000 mg/l.

In 2023, the category "Water discharged for reuse by third parties" was reported for the first time in order to reflect the flows that are used as input water by other organisations.

## Atmospheric emissions

[305-6], [305-7] and [IF-EU-120a.1]

### ▪ Total specific atmospheric emissions: Nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>2</sub>) and other significant air emissions (kt)

[305-7] and [IF-EU-120a.1]

	Total (kt)		Specific (g/kWh)	
	2023	2022	2023	2022
SO <sub>2</sub>	0.7	0.8	0.01	0.01
NO <sub>x</sub>	8.2	8.1	0.18	0.17
Particles	0.1	0.1	0.003	0.003
Mercury	0.00001	0.00001	0.0000002	0.0000003
Lead*	n.a.	n.a.	n.a.	n.a.

NB:

- Lead does not apply since natural gas, which is mostly used as fuel, lacks this element and, since it is not formed in the combustion process, it is not emitted in the combustion gases.
- After analysis of populated areas, 100% of the pollutants meet the criterion “densely populated area” (area with a densely populated core and an adjoining territory that together have a population of at least 50,000 people).

The above data correspond to direct measurements made at the facilities. In absolute terms, there has been an 18% decrease in SO<sub>2</sub> emissions, mainly due to the use of a fuel with a lower sulphur content in the transport of LNG using LNG tankers. Absolute NO<sub>x</sub> emissions have increased slightly by 0.5%.

### ▪ Emissions of ozone-depleting substances (ODS) (t)

[305-6]

	2023	2022
HCFC	0.42	0.01
Freon R22	0.80	0.20

The above data correspond to direct measurements of filling operations performed on equipment using these substances. There is evidence of a worsening compared to the previous year due mainly to the increase in the maintenance actions of the air conditioning equipment in a combined-cycle power station in Mexico.

With regard to light and noise pollution, following the materiality analysis carried out, these issues have not been of relevance which is why no information is included in this regard. However, noise-producing facilities are equipped with silencers, insulation and other acoustic measures to ensure compliance with legal limits and reduce disturbance to the surrounding population and fauna, as well as monitoring and measurement programmes to ensure compliance with these requirements.

## Waste

[306-1] and [306-2]

Naturgy has waste management procedures for its adequate minimisation, segregation, storage, recycling, control and final disposal. These procedures allow the company to report data on waste generated directly in its operations, including all businesses and countries where it operates.

In relation to the waste produced by collaborating companies, they are required to manage it appropriately through the environmental specifications included in the contracting process; also, they must monitor the whole process throughout the duration of their services.

This management, backed by ISO 14001 certification, minimises the impacts generated by waste, with the most significant residual impact being the possibility of environmental contamination as a result of accidental spills or dumping.

The following table includes data with the main spillages that occurred in 2023. 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, as most spillages were contained in Naturgy's facilities and there has been no deterioration of water courses or damage to biodiversity. While there has been a 21% increase in the volume of accidental spillage compared to the previous year, the area of natural soil affected has decreased by 88% and the number of events has been reduced by 5%. With regard to the spillage of oily water with traces of PCBs that occurred in Panama, it should be pointed out that the volume of spillage (0.03 m<sup>3</sup>) was contained in the safety basin without affecting the natural soil.

#### ▪ Spill table

[306-3]

<b>2023</b>						
Activity	No. of events	Nature of spill (no. of events)	Spill volume (m <sup>3</sup> )	Surface area of natural soil affected (m <sup>2</sup> )	Country (no. of events)	
Renewable electricity generation	12	Oil (11) Antifreeze (1)	1.1	17	Spain (9) Mexico (2) Costa Rica (1)	
Conventional electricity generation	4	Oil (1) Ammonia (1) Sulphuric acid (1) Fuel (1)	1	2	Spain (2) Mexico (2)	
Gas and electricity distribution	3	Fuel (2) Oily waters with traces of PCBs (1)	0.085	6	Panama (3)	
<b>Total</b>	<b>19</b>	<b>-</b>	<b>2.1</b>	<b>25</b>	<b>-</b>	

<b>2022</b>						
Activity	No. of events	Nature of spill (no. of events)	Spill volume (m <sup>3</sup> )	Surface area of natural soil affected (m <sup>2</sup> )	Country (no. of events)	
Renewable electricity generation	9	Oil (8) Oil and fuel (1)	0.4	115	Spain (9)	
Gas and electricity distribution	11	Oil (10) Fuel (1)	1.4	91	Argentina (1) Spain (6) Panama (4)	
<b>Total</b>	<b>20</b>	<b>-</b>	<b>1.8</b>	<b>206</b>	<b>-</b>	

In accordance with the waste hierarchy, the company prioritises management aimed at prevention, reuse and recycling over other less sustainable alternatives such as incineration without energy recovery or landfill. This strategy is clearly defined in the Sustainability Plan, which includes two waste-related objectives for 2025: reducing waste by 87% from 2017 and achieving 93% of waste recovered or recycled.

#### ▪ Waste managed (kt)

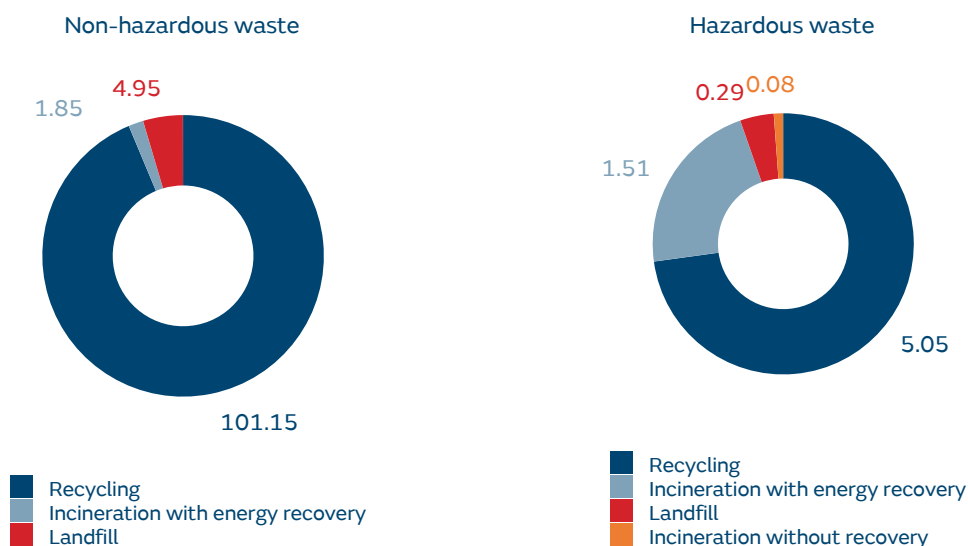
	<b>2023</b>	<b>2022</b>
Total waste (kt)	114.89	93.86
Non-hazardous waste (kt)	107.95	88.94
Hazardous waste (kt)	6.93	4.92
Recovery and recycling rate (%)	95.4	92.1

▪ **Waste by final disposal**

[306-4] and [306-5]

	2023		2022	
	kt	%	kt	%
<b>Waste not for disposal</b>	109.56	95.4	86.47	92.1
Waste for recycling	106.20	92.4	82.70	88.1
Waste for incineration with energy recovery	3.36	2.9	3.77	4.0
<b>Waste for disposal</b>	5.32	4.6	7.37	7.9
Waste for landfill	5.24	4.6	0.38	0.4
Waste for incineration without recovery	0.08	0.1	6.99	7.4

▪ **Waste by typology and final disposal in 2022 (kt)**



▪ **Non-hazardous waste managed (kt)**

	2023	2022
Soil and rubble	96.64	78.00
Sludge	4.53	5.66
Vegetable waste	1.70	1.80
Scrap	1.24	1.54
Assimilable to urban waste	0.80	0.63
Rest	3.05	1.31
<b>Total</b>	<b>107.95</b>	<b>88.94</b>

- **Hazardous waste managed (kt)**

	<b>2023</b>	<b>2022</b>
Hydrocarbons plus water	1.67	1.30
Sludge from oil and fuels	1.08	0.67
Solid waste contaminated with hydrocarbons	1.96	1.19
Used oil	0.38	0.44
Hydrocarbon-contaminated soils	0.16	0.32
Electronic waste	0.08	0.06
Rest	1.61	0.94
<b>Total</b>	<b>6.93</b>	<b>6.93</b>

- **Products sold for reuse (kt)**

	<b>2023</b>	<b>2022</b>
Ashes	74.6	52.6
Sludge from oil and fuels	1.1	0.7
<b>Total</b>	<b>75.6</b>	<b>53.3</b>

In 2023, there has been a 22% increase in total waste generated. By type, there has been a 41% increase in hazardous waste and a 21% increase in non-hazardous waste. This increase has occurred in Spain due to an increase in investment and activity for the improvement of the electricity distribution network and an improvement in the reporting of information from the gas distribution business. The percentage of waste recycled or recovered improved to 95%, an increase of 4% compared to the previous year.

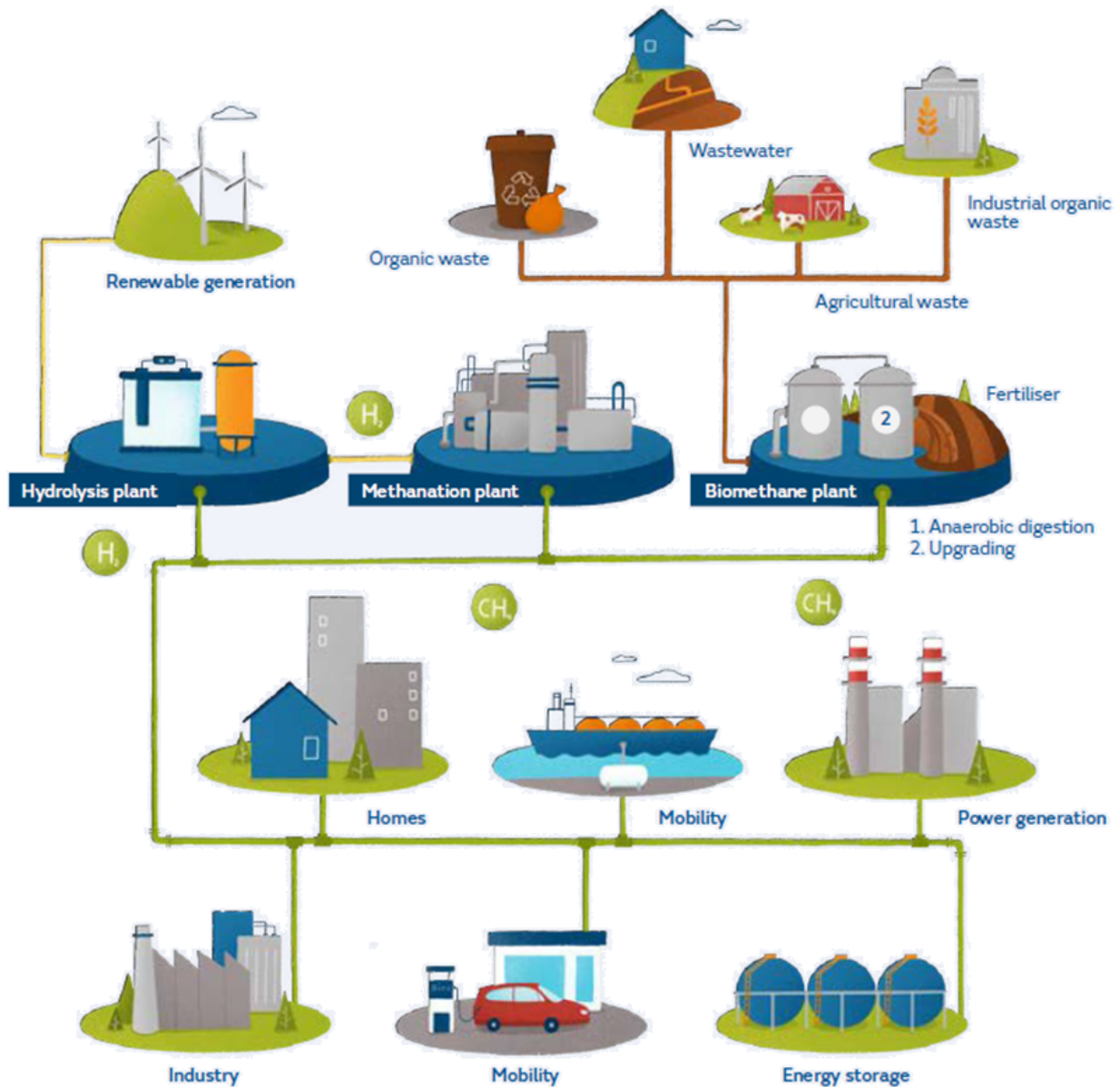
There has also been a significant increase in the amount of products sold for reuse, especially ash from decommissioned coal-fired power stations.

In 2023, Naturgy continued with the removal of polychlorinated biphenyls (PCB). Currently, 9 tonnes of dielectric oils with PCBs still have to be removed.

With regard to food waste, after the materiality analysis carried out, this aspect has not been among the relevant issues, which is why no information is included in this regard.

## Renewable gas

Renewable gases are gaseous fuels that come from or are produced from renewable sources. Within the energy sector, biomethane, renewable hydrogen or synthetic gas obtained from renewable energy surpluses should be highlighted. One of Naturgy's strategic lines of action in circular economy is to promote this type of fuels, so that they gradually replace fossil gas, promoting a circular and decarbonised model, as they are neutral in greenhouse gas emissions. For several years, Naturgy has been actively involved in the development of renewable gas projects, which serves as a strategic focus for the company in reducing GHG emissions. Further information regarding this can be found in the Innovation and new business development section of this report.



This is a clear example of a circular economy, as it is produced from organic waste as problematic as livestock manure, slurry, manure, sewage sludge or household waste, thus avoiding undesirable effects on people and biodiversity through water pollution, bad smells, etc.

Biomethane is a solution to simultaneously achieve decarbonisation goals and reduce energy dependence on external sources. This is very relevant at the European level, as the REPowerEU plan sets ambitious targets for fossil gas reduction and the promotion of biomethane. This is a particularly interesting alternative in sectors where electrification is difficult due to the nature of the activities. The production of biomethane makes it possible to make use of a multitude of waste types, solving their management problems. Moreover, being closely linked to the rural world, it is a perfect ally for the achievement of the economic recovery agenda and the fight against the demographic challenge and the depopulation of rural areas.



Spain is the third European country with the greatest potential for biomethane production, which could cover more than 40% of the current demand for natural gas. Moreover, biomethane is a carbon-neutral fuel gas and can even have negative CO<sub>2</sub>eq emissions. It is thus key for the decarbonisation of the economy. It can even have negative emissions, as is the case with biomethane from livestock manure, the current management of which has GHG emissions. The transformation of this waste into renewable gas can avoid the atmospheric emission of 200%<sup>2</sup> of the CO<sub>2</sub>eq emissions corresponding to the fossil fuel replaced. Considering a carbon footprint abatement ratio of 0.31 Mt CO<sub>2</sub>eq/TWh<sup>3</sup>, exploiting the biomethane production potential of 163 TWh/year would achieve abatement of over 50 Mt CO<sub>2</sub>eq/year, which is equivalent to 23% of the national 2030 target of the Integrated National Energy and Climate Plan currently in force.

From an economic point of view, this indigenous energy source also has a clear positive impact in terms of job creation and economic activity, especially in rural areas, which favours the fixation of territory in line with the objectives of the Spanish demographic challenge.

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<sup>2</sup> Source: Renewable gases. An emerging energy vector (Alvaro Feliu Jofre and Xavier Flotats Ripoll). Naturgy Foundation.

<sup>3</sup> Data calculated by the European Biogas Association and matching with figures used in the study "Biogas and biomethane as a key lever in the decarbonisation of the Spanish economy" (PwC, CIEMAT and Naturgy Foundation).

## 5. Biodiversity and natural capital

[3-3]

(Biodiversity and natural capital)

### Commitment to biodiversity

Biodiversity is fundamental to human well-being and sustainable development, as nature provides essential services such as food production, climate regulation and water purification. It is therefore necessary to take action to conserve and restore biodiversity by effectively integrating it into the policies, plans and practices of all economic and social sectors. Businesses play a crucial role in this context, as they depend on nature for raw material supply, income generation, risk reduction and innovation. Furthermore, the management of biodiversity and the impacts of their activities on natural systems is a key factor in their own resilience.

Naturgy integrates biodiversity in a global manner with the axes of the energy transition towards decarbonisation, climate, nature and people. As they are complementary and mutually influential realities, this approach takes a holistic view and focuses on building natural capital and restoring ecosystems to maximise CO2 capture and neutralise emissions, ensuring the protection of native fauna and flora and maximising benefits for local communities. Natural capital is managed with a clear preventive approach, considering the protection of nature in the design of new facilities, implementing operational controls throughout their useful life, including decommissioning where they occur.

At the end of December 2022, the Kunming-Montreal Accord, which establishes the Global Biodiversity Framework and global targets to 2030, was adopted at the United Nations Conference on Biodiversity. It is a major milestone in global nature conservation, equivalent to the Paris Agreement reached in 2015 to combat climate change. This Framework aims to halt and reverse biodiversity loss, ensuring that ecosystems are more resilient, sustainable and contribute to human well-being.

In May 2023, the company signed the new Pact for Biodiversity and Natural Capital, within the framework of the Spanish Business and Biodiversity Initiative (IEEB), promoted by the Biodiversity Foundation of the Spanish Ministry for Ecological Transition and the Demographic Challenge. The company has taken on the highest level of ambition, supporting the objectives of the Kunming-Montreal Global Biodiversity Framework. Specifically, by undertaking to assess (identify and disseminate the most relevant impacts and dependencies on biodiversity and natural capital arising from the company's activity), act (develop and implement a roadmap to reduce risks and take advantage of opportunities) and disseminate the efforts made and achievements made in terms of biodiversity conservation.

Moreover, after two years of development, the Task Force on Nature-related Financial Disclosures (TNFD) published in September 2023 its final Recommendations for the management and disclosure of nature-related risks. It is a set of guidelines to help market players get started with integrated assessment and corporate reporting related to nature.

The governance model, strategy, risk and opportunity management and the company's objectives and metrics in relation to nature are presented below, following the recommendations of the TNFD and taking into account the information available at the end of 2023. In this regard, the company has initiated a project to assess natural capital and biodiversity in all its activities, as established in the methodology proposed by the new Framework.

### Governance

Governance is a key aspect of addressing risks and opportunities related to biodiversity and natural capital, as highlighted in the recommendations published by TNFD.

## Environmental policy and management framework

Naturgy is committed to the preservation of biodiversity, natural capital and cultural heritage in the environment of its facilities, with special attention to protected areas and species, with the following actions (included in the Environmental Policy) as its operating principles:

- Respect natural capital, biodiversity and cultural heritage in the areas where the Group operates, identifying, assessing and monitoring impacts and dependencies on biodiversity during the life cycle of the facilities.
- Integrate biodiversity in the design and operation of projects to progressively reduce negative environmental impacts, avoiding as far as reasonably possible carrying out activities near areas of high value for biodiversity and specially protected areas, implementing a preventive approach based on the hierarchy of impact mitigation (avoid, mitigate, restore and compensate) and promoting the development of nature-based solutions.
- Prevent vegetation disturbance as far as possible, avoid deforestation in operating environments and encourage mitigation of significant impacts on forests along the value chain.
- Achieve no net loss of biodiversity, promoting the net creation of natural capital whenever possible.

## Governing bodies

The Board of Directors, through the Sustainability Committee, is responsible for Naturgy's environmental governance. It proposes environmental objectives and guidelines, monitors that environmental practices are in line with the strategy and policy, and also monitors the evolution of the company's environmental performance by tracking key indicators and targets. This is done using the high-level scorecard of indicators, which integrates specific biodiversity targets, reflected in the 2021-2025 Sustainability Plan. Details of the functions and powers of the Sustainability Committee can be found in section C.2.1 of the Annual Corporate Governance Report 2023.

In addition, 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.

At an 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.

Lastly, the Sustainability Committee monitors all indicators and defines and promotes the projects and corrective actions necessary to ensure compliance with the objectives of the Sustainability Plan, including biodiversity targets.

As far as the corporate and business units are concerned, the Environment and Social Responsibility unit, within the Sustainability Executive Department, establishes environmental policies, indicators and targets. In coordination with the businesses, it monitors developments, consolidates information and centralises reporting on sustainability matters to the management committees and the Board of Directors. It also continuously assesses the main ESG risk factors. The Business and Corporate Units apply general principles and strategies and develop plans, projects and activities to meet environmental and biodiversity objectives, as well as the other goals set out in the Sustainability Plan.

The monitoring of the evolution of the Sustainability Plan indicators carried out by the governing bodies includes:

- Direct impact indicators: GHG emissions scopes 1, 2 and 3, CO2 intensity, water consumption, waste production, recycling or waste recovery.
- Biodiversity-specific indicators: no. of biodiversity enhancement initiatives
- Indicators for monitoring risk and opportunity management actions: eligible Capex according to European taxonomy, renewable installed capacity, renewable gas production or injection capacity, environmentally certified activity.

Given that the risks arising from climate change are one of the most relevant from the point of view of the impact generated for nature, the main decision adopted by the Sustainability Committee in recent years has been to formally commit the company to the Net Zero 2050 target and the climate targets included in the 2021-2025 Sustainability Plan.

In the case of nature-related risks, they are currently incorporated in the Corporate Risk Map as environmental and biodiversity risks, as detailed in the Risk Management section of this report. In addition, it has been decided to make further progress in the quantification of risks to biodiversity and nature until full implementation of the TNFD standard.

## Strategy

Naturgy's biodiversity strategy is integrated into the business strategy based on the three axes Climate, Nature and People. In this regard, the most relevant measures included in the Strategic Plan 2021-2025 are:

- Reduce greenhouse gas emissions by transforming the generation mix and the gas and electricity business towards an increasingly decarbonised model until climate neutrality is achieved by 2050.
- Protect biodiversity in the facilities' sites, restore ecosystems and create natural capital to maximise CO2 capture and neutralise emissions, ensuring the protection of native fauna and flora and maximising benefits for local communities.
- A just transition, maximising the benefits of the transition to a low-carbon economy and minimising the negative impacts on business, workers and communities.

Biodiversity is therefore integrated into strategic management as presented below:

### Commitment and leadership

Objective: to move towards no net loss of biodiversity by implementing best practices and promoting the creation of natural capital.

<b>Risks and opportunities</b> Naturgy assesses and manages impacts, dependencies, risks and opportunities related to nature in all its operations and activities.		<b>Preventive approach</b> In construction, operation and decommissioning, applying the mitigation hierarchy.
<b>Action in nature</b> GHG reduction, circular economy and biodiversity initiatives.	<b>Transparency and dialogue</b> constructive engagement with stakeholders on nature issues.	<b>Monitoring and tracking</b> using specialised tools, of the scorecard with objectives and key indicators.

## Risk and opportunity management

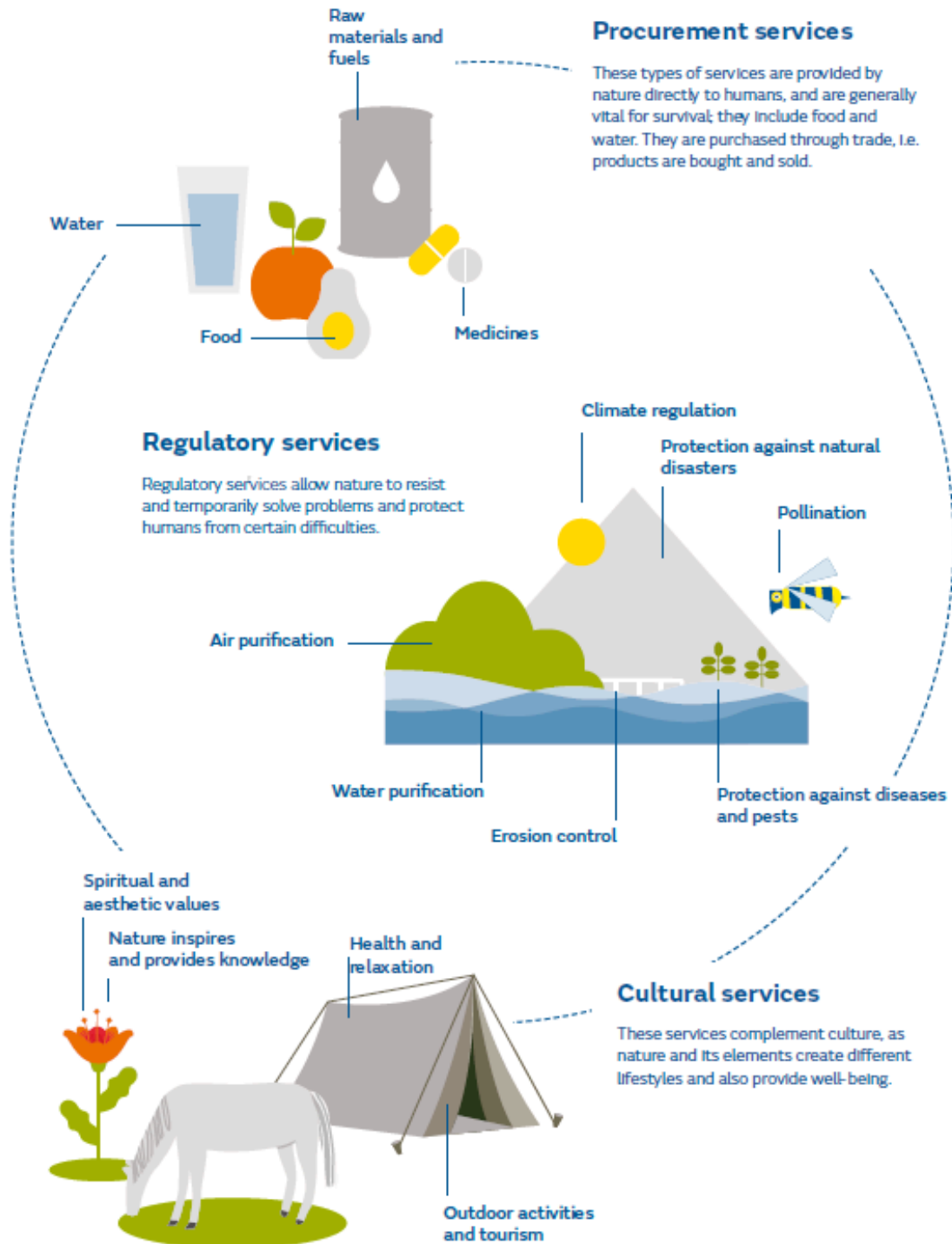
One of the key aspects of Naturgy's risk management is to ensure the resilience and sustainability of the business, which is why environmental and nature-related risks are built into the global model.

The identification, monitoring and assessment of Naturgy's biodiversity risks is governed by the Corporate Risk Map, which is updated and submitted by the corporate Management Control unit to the Audit and Control Committee.

The process focuses on characterising and quantifying the most relevant biodiversity risks, reflecting the company's risk profile. The identification and characterisation of the risks take into account the characteristics of the exposure level, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control.

## Assessment of dependencies and impacts on nature

To carry out its activities, Naturgy needs a series of services provided by nature, also known as ecosystem services, which can be classified into different typologies as shown in the following figure.



Naturgy's management of biodiversity risks and opportunities is based on the assessment of dependencies and impacts on nature. For this purpose, the ENCORE (Exploration of Opportunities, Risks and Exposure of Natural Capital) tool was used as a basis and an assessment of the dependencies and direct impacts of each of the company's activities was carried out by an internal panel of experts. The materiality assessment conducted by this panel has integrated knowledge based on historical baseline studies, environmental impact studies, facility monitoring and events over time. The result is the materiality matrices of dependencies and impacts broken down for the company as shown below.

- **Biodiversity dependencies**

	Generation			Product ion and injection	Distribution	
	Wind	Solar	Hydropower		Thermal	Electricity
<b>Resources used in the process</b>						
Non-mineral resources such as fuels (natural gas and others).				Very high		Very high
Renewable resources such as wind and solar radiation.	Very high	Very high				
Groundwater stored underground in aquifers, which comes from precipitation, snowmelt and freshwater streams.		Very low	Average	Low		
Surface water that comes from precipitation of water flows from natural sources.		Very low	Very high	Very high		
<b>Services that make the process possible</b>						
Maintenance of water flow through the hydrological cycle, that allows water to circulate through the atmosphere, land and oceans, responsible for recharging groundwater sources and maintaining surface water flows.			Very high	Average		
Water quality resulting from the maintenance of adequate chemical conditions of water, including rivers, lakes, groundwater sources and salt water, to ensure favourable living conditions for the biota.			Low	Low		
Pollination is a service provided by three main mechanisms: animals, water and wind. Most plants depend to some extent on animals acting as vectors, or pollinators, for pollen transfer.					Average	
<b>Services that mitigate direct impacts</b>						
Bioremediation, the natural process by which living organisms such as micro-organisms, plants, algae and some animals degrade, reduce and/or remove pollutants.			Low	Very low	High	
Filtration, which is the sequestration, storage and accumulation of pollutants by a variety of organisms including algae, animals, micro-organisms and plants.			Very low	Low		
Regulation of the chemical composition of the atmosphere, which through pollutant diffusion processes allows the maintenance of air quality.				Very high		
<b>Protective services</b>						

Nature’s regulation of the global climate through the long-term storage of carbon dioxide in soils, plant biomass and oceans. At regional level, climate is regulated by ocean currents and winds, while at the local and micro level, vegetation can modify temperature, humidity and wind speed.	Very high	High	Very high	Very low	Average	High	Average
Flood and storm protection provided by the buffering and attenuation effects of vegetation.	Average	Average	High	Average	Average	Average	Average
Erosion protection and land stabilisation provided by vegetation cover, terrestrial, coastal and marine ecosystems, coastal wetlands and dunes. Vegetation on slopes also prevents avalanches and landslides, and mangroves, seagrasses and macroalgae provide protection against coastal erosion and sediment.	Average	Average	Very high	Low	Low	Average	Average

**KEY**

Very high: the process is extremely vulnerable to interruptions. The degree of protection provided by the ecosystem service is critical and irreplaceable.

High: the process is vulnerable to interruptions. The degree of protection afforded by the ecosystem service is hardly substitutable.

Average: most of the time, the process can take place with limited disruption to the ecosystem service due to its resilience to disruption.

Low: most of the time, the process can take place even with the total interruption of the ecosystem service.

Very low: in general, the production process can take place even with a total disruption of the ecosystem service.

Source: ENCORE and own elaboration.

The following table summarises the main impacts on biodiversity that may arise from the company’s operation at the sites and adjacent areas. In the preparation of the table, the impacts that occur in the operation of the facilities have been considered. In the case of wind farms, photovoltaic plants, biomethane plants and power grids, the impacts produced in the construction phase have also been considered due to the new investments being made in these types of assets.

▪ **Potential impacts on biodiversity**

[303-2] and [304-2]

**Natural environment**

Water use, including collection and consumption, especially of freshwater in water-stressed areas.

The greatest potential impact is from combined-cycle power stations, which require water on a permanent basis for their operation, especially for the cooling process. Although facilities located in water-stressed areas may induce a decrease in the resource, most of them have been designed to avoid freshwater consumption by using seawater or reusing discharges from other activities.

Regulating or diversion hydropower plants can affect the amount of water available downstream. To minimise the impact, sufficient ecological flow is released to maintain both natural and socio-economic water uses.

Photovoltaic power stations may occasionally consume water for washing the solar panels, although the volumes required are not high and dry cleaning alternatives can be implemented or with water from other areas in the event of water stress.

Land occupation and modification of terrestrial ecosystems, e.g. through vegetation clearance.	<p>The construction of new projects temporarily modifies the terrestrial habitat, except for the areas that are permanently occupied during the operation phase.</p> <p>The facilities that have the greatest impact on terrestrial ecosystems are photovoltaic plants and power lines. The construction of power lines involves the removal and permanent maintenance of a buffer strip devoid of tree vegetation. In any case, this is a reversible and recoverable impact, since, in addition to carrying out prior studies to select the alternative with the least impact, after completion of the works the affected areas are environmentally restored, except for those occupied by the installations, which are recovered after dismantling at the end of their useful life.</p> <p>Biomethane facilities are generally located inside other facilities (farms, water treatment plants, etc.), so their impact on land use is very limited.</p>
Effects on freshwater ecosystems such as wetlands, ponds, lakes, streams, rivers or peatlands needed to provide ecosystem services such as water purification, fish spawning, etc.	<p>Hydropower plants mean the permanent replacement of the river ecosystem and the creation of a new, sometimes high quality, lake-type ecosystem. Downstream of the dam, modification of the natural flow may alter the aquatic ecosystem.</p> <p>Water consumption and thermal discharges from combined cycle thermal power stations may also affect the aquatic ecosystem of the receiving environment, although studies of the aquatic environment and discharge modelling have been carried out in their design to include the necessary measures.</p> <p>The construction of wind farms or photovoltaic plants may cause minor temporary alterations to nearby aquatic ecosystems, although preventive measures are taken and monitoring is carried out on site to detect and correct negative impacts.</p> <p>Biomethane plants have a net positive impact, as the transformation of organic waste such as slurry or manure into biomethane avoids its deposition on land and avoids negative impacts on water pollution and ecosystems.</p>
Effects on marine ecosystems, e.g. due to the presence of infrastructure necessary for the process.	<p>Water discharges from coastal combined-cycle power stations can have a permanent impact on the marine ecosystem in the dispersion area due to chemical contamination and, above all, due to the temperature increase of cooling discharges. However, in the design phase of the combined-cycle power stations, studies of the aquatic environment and discharge modelling have been carried out to include the necessary impact reduction measures.</p>
GHG emissions such as CO <sub>2</sub> , methane, N <sub>2</sub> O, SF <sub>6</sub> , etc.	<p>Thermal power stations emit greenhouse gases, mainly CO<sub>2</sub>, during operation. In recent years, there has been a very sharp decline in the energy intensity of these power stations due to the closure of coal-fired power stations, as combined-cycle power stations have emissions in the order of one third per unit of energy produced.</p> <p>Gas networks have an impact on the climate due to the leakage of methane, a greenhouse gas. To minimise this and reduce leakage, regular monitoring and maintenance is carried out.</p> <p>Some elements used in electricity grids can produce local and temporary leaks of SF<sub>6</sub>, a greenhouse gas. However, technological solutions are being implemented to reduce leakage and the use of SF<sub>6</sub> in equipment.</p> <p>Biomethane has a positive impact on the climate, as it is a CO<sub>2</sub> neutral gas, which means a reduction of greenhouse gases. Depending on the origin of the organic waste from which it is generated, it can even be a sink.</p>
Emission of air pollutants, such as NO <sub>x</sub> , SO <sub>2</sub> , particulate matter, etc.	<p>When thermal power stations are in operation they emit air pollutants, mainly NO<sub>x</sub>. During the design phase, atmospheric modelling was carried out to define a suitable location for the installations. This, together with the systems put in place to reduce these pollutants, ensures that pollution values in the environment remain within the acceptable levels set by legislation. This is evidenced by the air quality measurement networks installed around combined-cycle power stations.</p>



Water pollution from discharges with temperature increases, chemical compounds or nutrients into the receiving water body.	<p>Hydropower plants may under certain conditions temporarily cause deterioration of quality downstream of the reservoir, e.g. reduction of dissolved oxygen. The impact is recoverable, and measures to improve water oxygenation have been included in the plants where necessary.</p> <p>Discharges from combined-cycle thermal power stations can reduce the quality of the receiving environment due to thermal (cooling discharges) and chemical (process discharges) pollution. To reduce the impact, environmental criteria have been considered in the design of the cooling systems, installing cooling towers where necessary and including the corresponding measures to keep pollutant levels within the limits set by legislation. In addition, discharge control is carried out by monitoring the main pollutants.</p> <p>Biomethane plants have a net positive impact, as the transformation of organic waste such as slurry or manure into biomethane avoids its deposition on land and avoids negative impacts on water pollution and ecosystems.</p>
Soil contamination from accidental spills or inadequate management of waste or materials likely to release pollutants.	<p>Localised incidents in the construction or operation of facilities, such as leaks or spills, may lead to soil contamination by oil or other residues. The quantity and hazardousness of these substances is very limited, and preventive management and monitoring measures avoid negative impacts.</p> <p>Biomethane plants have a net positive impact, as the transformation of organic waste such as slurry or manure into biomethane avoids land disposal and negative impacts due to soil contamination.</p>
Generation of hazardous, non-hazardous and inert solid waste.	<p>The construction or operation of facilities involves the production of waste. Its magnitude is not high given the quantity and characteristics of the waste produced and the environmental management system in place.</p> <p>Biomethane, on the other hand, involves the recovery of organic waste generated in other activities, and therefore has a clear positive impact.</p>
Noise disturbance, light emissions, etc.	<p>Noise nuisance can occur during the operation of wind farms.</p> <p>In the vicinity of thermal power stations, noise and traffic nuisance may occur.</p> <p>In all cases, noise modelling is carried out in the design of the facilities to include the necessary measures to keep noise below the legal limits. In addition, measurements are regularly carried out to verify the effectiveness of the measures.</p>
Effect on wildlife	<p>In hydropower plants, the existence of the reservoir and the presence of the dam produce permanent alterations on aquatic fauna, affecting spawning areas or cutting off migratory flows. The impact can be irreversible, although it is recoverable through the adoption of measures such as ecological flow or the installation of devices to allow aquatic fauna to overcome the dam (fish ladders, etc.).</p> <p>The operation of wind farms poses a risk of collisions of birds and bats with wind turbines.</p> <p>The construction of photovoltaic plants may affect steppe birds present in the area, and power lines may cause collisions and electrocution of birds and bats on the power lines. During the design phase of all these projects, the presence of sensitive species is analysed, adapting the location and implementation of the facilities, including avoiding measures. In addition, environmental monitoring is carried out to implement additional measures if necessary.</p>
Creation of favourable conditions for the establishment of invasive species, pests and pathogens.	The activities do not lead to the introduction of invasive alien species, although the reservoirs of the hydropower plants may create favourable conditions for their settlement.

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**Social setting**


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Impact on landscapes.	<p>The presence of higher installations, such as wind turbines, stacks of thermal power stations or electricity pylons, can lead to a reduction in the quality of the landscape. In the case of thermal power stations or power lines, when they are located in industrial or anthropised areas, the impact is reduced by visual integration. In most cases, the impact is irreversible and can be recovered by carrying out specific visual screening measures.</p> <p>In the case of hydropower plants, the impact can be positive in flowing type reservoirs, where there is no dry band due to the mirror effect of the water sheet.</p>
Effect on cultural heritage.	<p>During the construction of new facilities there is a risk of permanent damage to archaeological remains located in the area. To avoid this, during the design phase, archaeological surveys and on-site monitoring performed during earthworks to detect and avoid affecting elements of cultural heritage. This risk is not significant for biomethane as it is located within other facilities (farms, water treatment plants).</p>
Job creation and induction of economic activities.	<p>The construction and operation of the facilities involves job creation. In addition, income is generated in the municipalities from tax payments and indirect economic activities.</p>

Source: ENCORE and own elaboration.

	Wind power generation				Photovoltaic generation				Hydropower generation				Thermal generation				Biomethane production and injection				Electricity distribution				Gas distribution					
	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability	Impact +/-	Materiality	Duration Scaled-up	Reversibility Recoverability		
<b>Natural environment</b>																														
Water use, including collection and consumption, especially of freshwater in water-stressed areas.					■	Very low	Temporary Localised	Reversible Recoverable	■	High	Permanent Extensive	Reversible Recoverable	■	Very high	Permanent Extensive	Reversible Recoverable														
Land occupation and modification of terrestrial ecosystems, e.g. through vegetation clearance.	■	Low	Temporary Localised	Reversible Recoverable	■	High	Permanent Localised	Reversible Recoverable					■	Very low	Temporary Localised	Reversible Recoverable	■	Average	Permanent Extensive	Reversible Recoverable	■	Low	Temporary Localised	Reversible Recoverable					Temporarily Localised	Reversible Recoverable
Effects on freshwater ecosystems such as wetlands, ponds, lakes, streams, rivers or peatlands needed to provide ecosystem services such as water purification, fish spawning, etc.	■	Very low	Temporary Localised	Reversible Recoverable	■	Very low	Temporary Localised	Reversible Recoverable	■	High	Temporary Extensive	Reversible Recoverable	■	Average	Permanent Localised	Reversible Recoverable	+	Average	Permanent Extensive	Not applicable										

Effects on marine ecosystems, e.g. due to the presence of infrastructure necessary for the process.																				
GHG emissions such as CO <sub>2</sub> , methane, N <sub>2</sub> O, SF <sub>6</sub> , etc.																			Temporarily Extensive	Reversible Recoverable
Emission of air pollutants, such as NOx, SO <sub>2</sub> , particulate matter, etc.																				
Water pollution from discharges with temperature increases, chemical compounds or nutrients into the receiving water body.																				
Soil contamination from accidental spills or inadequate management of waste or materials likely to release pollutants.																			Temporarily Localised	Reversible Recoverable

Generation of hazardous, non-hazardous and inert solid waste.	■	Very low	Permanent Localised	Reversible Recoverable	■	Very low	Permanent Localised	Reversible Recoverable	■	Very low	Permanent Localised	Reversible Recoverable	■	Very low	Permanent Localised	Reversible Recoverable	+	Average	Permanent Extensive	Not applicable	■	Low	Permanent Localised	Reversible Recoverable	■	Low	Permanent Localised	Reversible Recoverable				
Noise disturbance, light emissions, etc.	■	Average	Temporary Localised	Reversible Recoverable					■	Average	Permanent Localised	Reversible Recoverable																				
Effect on wildlife	■	High	Permanent Localised	Reversible Recoverable	■	Low	Permanent Localised	Reversible Recoverable	■	High	Permanent Extensive	Irreversible Recoverable									■	Average	Permanent Localised	Reversible Recoverable								
Creation of favourable conditions for the establishment of invasive species, pests and pathogens.									■	Low	Temporary Localised	Reversible Recoverable																				
<b>Social setting</b>																																
Impact on landscapes.	■	High	Permanent Extensive	Reversible Recoverable	■	Average	Permanent Extensive	Reversible Recoverable	+	Average	Permanent Extensive	Reversible Recoverable	■	Low	Permanent Extensive	Reversible Recoverable					■	Low	Permanent Extensive	Reversible Recoverable								
Effect on cultural heritage.	■	Low	Temporary Localised	Irreversible Recoverable	■	Very low	Temporary Localised	Irreversible Recoverable													■	Low	Temporary Localised	Irreversible Recoverable	■	Very low	Temporary Localised	Irreversible Recoverable	■	Very low	Temporary Localised	Irreversible Recoverable

Job creation and induction of economic activities.	-	Average	Permanent Localised	Not applicable	+	Average	Permanent Localised	Not applicable	+	Low	Permanent Localised	Not applicable	+	Average	Permanent Localised	Not applicable	+	Average	Permanent Localised	Not applicable	+	Low	Permanent Localised	Not applicable

Source: ENCORE and own elaboration.

Definitions:

- Impact: beneficial (+) or detrimental (-).
- Materiality: relevance of the impact.
- Duration: time that the impact would remain, being permanent when it is equal to or longer than the lifetime of the facility and temporary otherwise.
- Extent: area of influence of the impact. Localised if it is of a one-off nature, otherwise it is extensive.
- Reversibility: indicates the possibility of reconstruction of the factor affected by the project by natural means once the action has ceased to have an impact on the environment.
- Recoverability: indicates the possibility of recovery of the affected factor through corrective measures. Thus, an impact may be recoverable or irrecoverable.

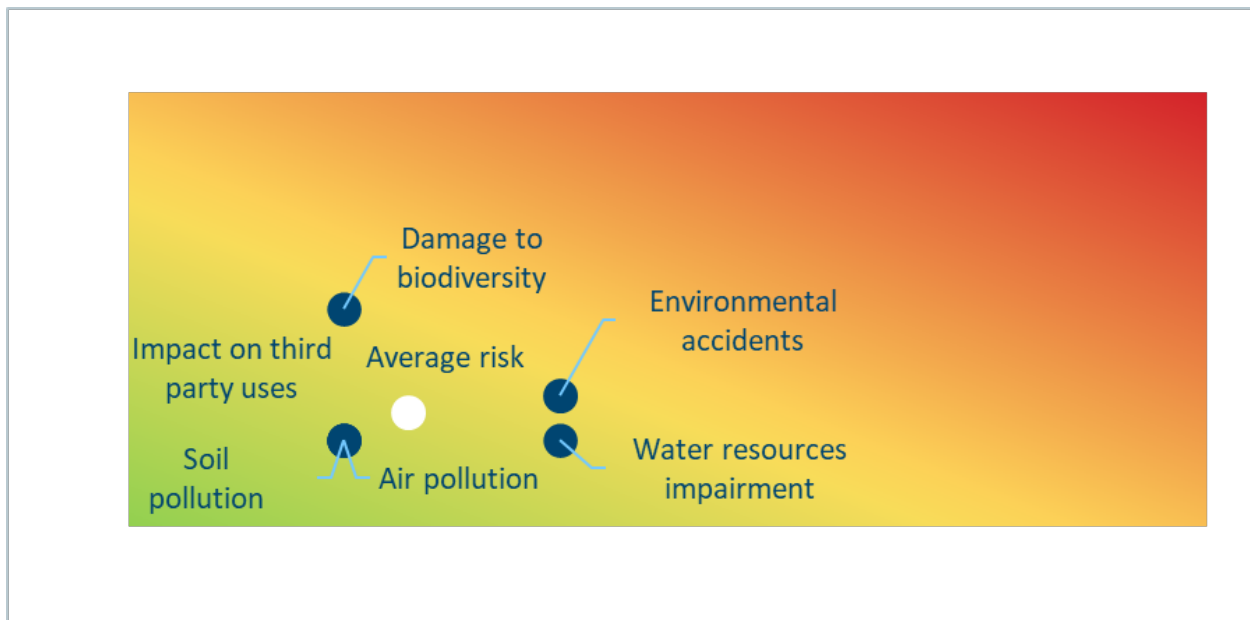
NB: For positive impacts, reversibility and recoverability are not characterised, as they are not applicable concepts.

## Risk assessment on nature

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

The risks to nature depend on the specific characteristics of the environment in which the activities take place. The information analysed on 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 or the loss of ecosystem functionality entails two types of risks, operational or physical and transitional. Operational or physical risks are due to the materialisation of damage to nature and changes in stocks and natural flows. Transition risks result from changes in policies, technological requirements, legal requirements and consumer preferences. The larger and more catastrophic the expected physical risks, the stronger the transitional risks, as they may entail regulatory or market changes.

These risks are currently incorporated in the Corporate Risk Map as operational environmental and biodiversity risks. The following graph shows the assessment of these risks, based on their impact (horizontal axis) and probability of occurrence (vertical axis).



In relation to the risks arising from the supply chain, the global purchasing and supplier management model considers 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.

In order to carry out a detailed and localised analysis, following the guidelines of TNFD's LEAP (Locate, Evaluate, Audit and Prepare) methodology, a Geographic Information System is available that analyses the biodiversity risk of the different energy facilities and networks at a global level, considering interactions with areas of high biodiversity value, the presence of threatened species (taking as a reference the red list of the International Union for Conservation of Nature, IUCN) and water stress (Aqueduct's global water risk map). The system is currently being upgraded to include also the type of ecosystem and its conservation status.

The results of the ongoing LEAP analysis will be available in 2024 and the work has been structured as follows:

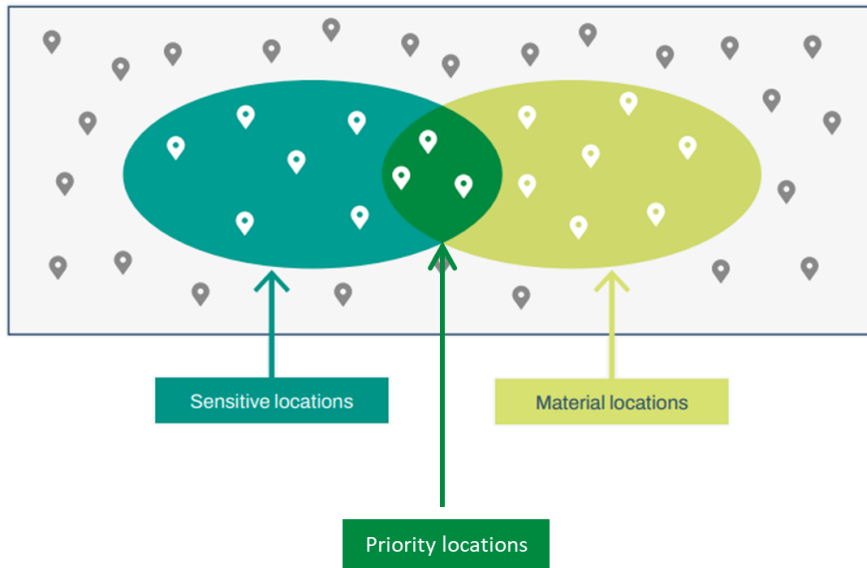
- L-Locate key activities and identify their interaction with nature.
- E-Evaluate their dependencies and impacts
- A-Audit their risks and opportunities
- P-Prepare to respond to nature-related risks and opportunities and inform investors.

To date, progress has been made in phase L, with preliminary results including the following:

- L1- Overview of the business model and value chain: the value chain has been analysed, deciding to focus the first phase of the project on direct operations, i.e. the facilities over which there is operational control and sufficient information to carry out a complete analysis. The analysis of upstream and downstream activities will be addressed in later phases.
- L2- Review of impacts and dependencies: based on the SBTN Materiality Tool proposed by TNFD, and making the necessary adaptations to consider the different phases of the projects (design and construction, operation and decommissioning), the key impacts and dependencies of each type of technology on the impact drivers were identified, classifying them on a scale of 5 levels of materiality (from very low to very high). In relation to climate change, taking into account that Naturgy already reports on the effects of climate change related to greenhouse gases (GHG), this impact driver was approached from the point of view of the impacts and dependencies of climate change effects on nature (e.g. extreme weather events or effects on carbon sinks). For the determination of materiality, technologies with moderate, high or very high values have been considered to have significant impacts or dependencies on nature and are therefore considered material facilities. The results of this analysis reveal a materiality relationship with nature for all types of installations except for biomethane plants, power substations, gas pipelines and LPG, CNG and LNG plants.
- L3- Interface with nature. To define the interaction with nature, the location of the facilities, considering their areas of influence, was combined with the IUCN Global Ecosystem Typology source recommended by TNFD. This data source provides information on biomass. This global database has made it possible to identify the specific ecosystem types that are under most pressure.
- L4- Interface with sensitive locations. Sensitive locations are determined on the basis of:
  - Its importance for biodiversity: if the ecosystem is identified as part of a biodiversity hotspot, a protected area or any other internationally recognised site, the risks associated with loss or deterioration of nature are greater. The World Database of Protected Areas (WDPA) has been used for the assessment of importance for biodiversity in all countries, except for facilities located in Spain, where information from Natura 2000 Network Sites (RN2000) has been used.
  - Ecosystem integrity: if the ecosystem has a high conservation status or integrity, activities with a higher impact will compromise these conditions to a greater extent.
  - Water stress: if the location is an area experiencing water stress, where the quantity and/or quality of available water is deteriorating, activities there are exposed to increased environmental risk related to water availability.

By cross-referencing information on physical facilities (L2) and sensitive locations (L4), priority facilities have been identified.





## Risk mitigation

Based on the identification of risks, Naturgy carries out environmental management based on the principle of prevention. For years, the company has had an integrated management system (IMS) for quality, environment, health and safety certified in its environmental component according to the requirements of the ISO 14001 standard and audited externally each year. This system is aimed at continuous improvement, pollution prevention and environmental impact reduction throughout the value chain by involving employees, suppliers and other stakeholders. The main goal is to reduce the impact on ecosystems by performing preliminary studies for new facilities, reducing emissions, resource consumption or waste production, and developing direct actions on biodiversity.

With regard to new facilities, the precautionary principle is applied, carrying out preliminary environmental impact studies during the design phase. These studies analyse the environment of the sites, looking carefully at protected areas of high ecological value, adapting the location and components of the project to avoid or minimise negative impacts on biodiversity. In those cases in which it is not possible to completely avoid the impact, the required remedial or compensatory measures are introduced. The establishment of additional voluntary measures contributes to the knowledge and mitigation of the impacts caused by the facilities. The company also takes into consideration the opinion of the stakeholders present in the places where it operates.

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.

The following are lines of action and examples of initiatives that are being put into place to compensate or reduce the negative impacts on biodiversity:

- **Wildlife protection**

- Several wind farms have implemented measures to prevent bird collisions, such as blade painting or applications for real-time shutdown of wind turbines in the event of a collision risk.
- The systematic removal of carrion (dead livestock, etc.) is carried out in and around wind farms in order to prevent bird collisions, particularly of certain birds of prey such as vultures, which, precisely, are drawn to the carcasses to feed.

- 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, among which is the creation of a breeding centre.
  - Support to the wildlife recovery centre of Guadalajara of the Regional Government of Castilla La Mancha: housing of wildlife individuals, captive breeding programmes and temporary stays of individuals of species with reintroduction programmes.
  - Together with GREFA and in collaboration with the environmental authorities, 40 Lesser Kestrels have been reintroduced, a migratory bird of prey catalogued as vulnerable due to the fact that their populations have been reduced by the transformations suffered in the countryside in recent decades.
  - The regular capture of salmon, shad, eel and lamprey reaching the Frieira hydropower plant 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.
  - Wildlife protection actions have been carried out in the channel from the Toba reservoir to the Villalba de la Sierra hydropower station to reduce the negative impact on the species affected.
  - In more than 2,260 electricity pylons, actions have been taken to minimise the risk of electrocution of birds when they are used as perches. In addition, bird guards have been installed on several sections to reduce the risk of collision.
  - In order to understand and reduce the risk of collision of several species of birds of prey (Bonelli's eagle, golden eagle, etc.) on wind farms and power lines, several projects have been carried out to mark, release and track specimens with GPS, in order to understand their movement patterns.
  - Maintenance has been carried out on the biodiversity transformers which make use of disused electrical transformer buildings to provide breeding sites and shelter for different wild species (birds, bats, insects, etc.).
- **Ecosystem protection and restoration**
    - A system for the early detection of fires in the vicinity of power lines has been developed in Spain. The alerts are generated through a system that uses real-time information from the EU's Copernicus and NASA satellites.
    - Based on the inspections of power lines using drones, a system has been implemented to process the images using artificial intelligence to, among other things, detect nests or birds.
    - We have participated in the WETLANDS4CLIMATE project, coordinated by Global Nature, to establish management guidelines for Mediterranean wetlands to function as carbon sinks, while maintaining their ecological integrity, functionality and providing the services of a healthy ecosystem.

## Management of opportunities related to nature

The main lines of action within the framework opportunities related to nature are summarised below:

- **Nature-based solutions**
  - Within the framework of nature-based solutions, an innovative initiative is carried out using livestock for the maintenance of power line routes and the site of photovoltaic power stations. The reduction of vegetation on power line routes and photovoltaic power stations is a necessary measure to ensure safety. Replacing machinery with indigenous livestock, with less impact on the environment, boosts traditional grazing and rural development.

- **Knowledge generation, dissemination and education**

- Various environmental awareness-raising actions have been carried out. In Spain, together with GREFA, training sessions have been held for schools, both in person and online, with 835 schoolchildren and 45 teachers attending. In Argentina, several educational actions on environmental education were also carried out, including various topics of interest, such as the responsible use of natural resources.

- **Stakeholder engagement and involvement**

- 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 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.
- Participation in collaborative business initiatives such as the Industry and Ecological Transition Commission of the CEOE, the Nature Business Ambition initiative of Forética or the 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 harmonised framework for assessing the impact on the natural capital 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 final part of this chapter.
- The Naturgy Foundation carries out numerous initiatives to disseminate, train, inform and raise awareness in society on environmental issues. For example, we collaborate with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives, as well as in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital. It also organises environmental volunteering activities for the company's employees and their families, which encourage the development of individual attitudes and behaviours of respect and conservation of the natural environment.

## Metrics and targets

To mitigate risks related to nature dependencies and impacts, the company has a scorecard that includes all impact drivers that are material to the activities, in line with the SBTN (science-based targets for nature) initiative. The scorecard includes climate change, circular economy, biodiversity and environmental management targets, the achievement of which has a positive impact on nature. The high-level indicators are shown below, with their targets to 2025 and the progress of performance in recent years:

	Target 2025	2023	2022	Base year 2017
Activity with environmental certification according to ISO 14001 <sup>(4)</sup> (%)	95	97.2	97.9	87.7
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	75	50	n.a.
Eligible Capex according to European Taxonomy (%)	80	79	67	n.a.
Absolute GHG emissions Scope 1 and Scope 2 (million tCO <sub>2</sub> eq) <sup>(2)</sup>	11.0	12.9	15.1	21.8
Absolute GHG Scope 3 (million tCO <sub>2</sub> eq) <sup>(2)</sup>	109.4	101.7	110.1	142.6
CO <sub>2</sub> intensity in electricity generation (tCO <sub>2</sub> /GWh) <sup>(2)</sup>	199	247	279	388
Capacity free of emissions (%) <sup>(1)</sup>	51.10	40.95	37.50	26.00
Installed capacity from renewable sources (%) <sup>(2)</sup>	48.2	37.0	33.7	22.0
Renewable gases (TWh) <sup>(2)</sup>	0.52	0.30	0.22	n.a.
Water consumption (hm <sup>3</sup> ) <sup>(2)</sup>	14.70	17.00	18.80	28.00
Intensity of water consumption in generation (hm <sup>3</sup> /TWh) <sup>(1)</sup>	0.31	0.39	0.40	0.60
Waste produced (kt)	110	115	94	824
Recycled or recovered waste (%) <sup>(2)</sup>	93	95	92	33
Atmospheric emissions SO <sub>2</sub> (kt) <sup>(1)</sup>	0.9	0.7	0.8	19.2
Atmospheric emissions NOx (kt) <sup>(1)</sup>	8.8	8.2	8.1	29.3
Initiatives to improve biodiversity (number)	350	353	345	n.a.
TNFD recommendations <sup>(3)</sup> implementation at corporate level (%) <sup>(1)</sup>	100	25	n.a.	n.a.

<sup>(1)</sup> Targets included in 2023 in the review of the 2025 Strategic Plan.

<sup>(2)</sup> Targets reviewed in 2023 in the review of the 2025 Strategic Plan.

<sup>(3)</sup> Task force on nature-related financial disclosures (TNFD).

<sup>(4)</sup> Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

In addition, a series of metrics and indicators are used to assess the most relevant dependencies, impacts and risks on the different impact drivers, as can be seen in the following table:

<b>Impact motor</b>	<b>Indicator</b>	<b>Metric</b>	<b>Location of data in the report</b>
Climate change	GHG emissions	Amount of direct (Scope 1) and indirect (Scope 2 and 3) GHG emissions emitted by gas type, activity and geography. GHG emissions intensity. Amount of CO <sub>2</sub> emissions offset.	See chapter on Climate Change and Energy Transition, made in accordance with TCFD recommendations
Change of land use	Space footprint	Total area occupied by type of installation	See section Impact on areas of high biodiversity or protected natural areas below
		Environmentally restored area by activity and country	See Biodiversity Initiatives section, Habitats protected or restored table below
	Impact on natural areas	Number of sites and km of linear infrastructure within or adjacent to protected areas by type of facility. Total area occupied within or adjacent to protected areas by type of facility. Percentage of area occupied within or adjacent to protected areas by geography	See section Impact on areas of high biodiversity or protected natural areas below
		Area environmentally restored in protected areas or benefiting protected species by activity and country. Number of biodiversity initiatives in protected areas	See Biodiversity initiatives below
Pollution	Waste produced	Weight of hazardous and non-hazardous waste generated by typology and final disposal. Percentage of waste recovered	See chapter Circular economy and eco-efficiency
	Spills	Number of spillages by activity and geography. Volume and nature of discharges. Surface area of natural soil affected	See chapter Circular economy and eco-efficiency
	Discharges into the aquatic environment	Weight of pollutants discharged into the aquatic environment by typology	See chapter Circular economy and eco-efficiency
		Number of incidents of non-compliance related to water quantity or quality permits, standards and regulations	See chapter Circular economy and eco-efficiency
	Atmospheric emissions	Weight of non-GHG air pollutants produced by type: - Sulphur dioxide - Nitrogen oxides - Particulate matter - Mercury - Ozone depleting substances (HCFCs and Freon R22)	See chapter Circular economy and eco-efficiency
Use of resources	Energy and materials	Energy consumption and energy intensity by typology	See chapter Circular economy and eco-efficiency
	Energy and materials	Quantity of materials used	See chapter Circular economy and eco-efficiency
	Water	Amount of water captured in total and in water stressed areas by origin (sea, fresh, reused...)	See chapter Circular economy and eco-efficiency
		Amount of water consumed in total and in water stress zones by source and process	See chapter Circular economy and eco-efficiency
State of nature and others	Species at risk of extinction	Total amount of water discharged and in water stress zones by destination (sea, river...)	See chapter Circular economy and eco-efficiency
		Number of IUCN Red List and nationally listed species in areas affected by operations by faunal group and level of extinction risk	See section Impact on protected species below
	Impact management	Percentage of activities under certified environmental management system to reduce risks to environment and biodiversity	See chapter on Governance and environmental management
	Impact management	Number of biodiversity initiatives undertaken by mitigation hierarchy and country. Percentage of biodiversity initiatives carried out on a voluntary basis	See Biodiversity initiatives below

The main biodiversity-specific indicators are listed below.

## Impact on areas of high biodiversity or protected natural areas

[304-1]

In order to determine the area of the facilities 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.

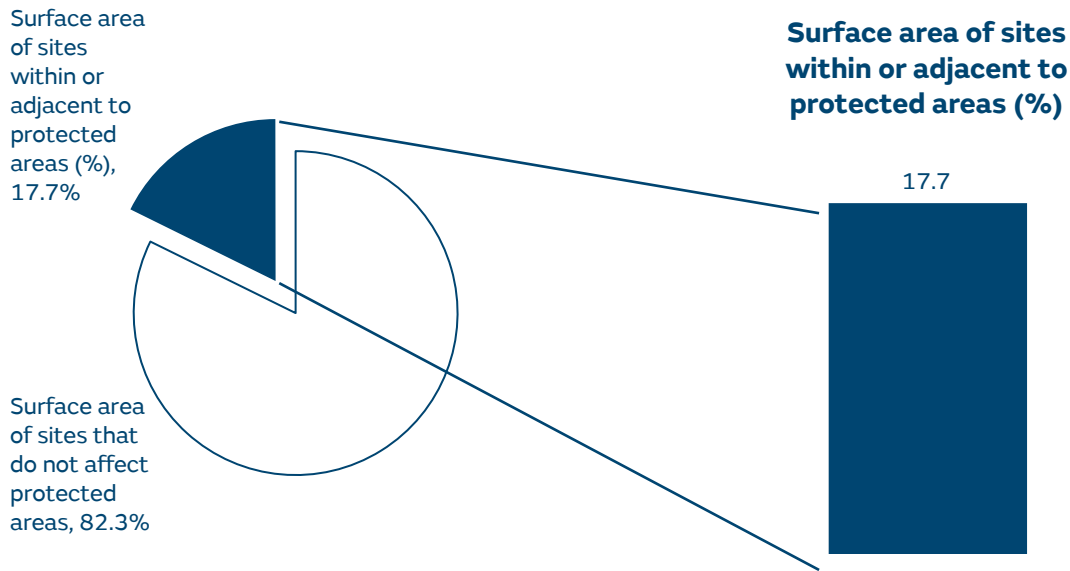
- **Operations centres owned, leased or managed located within or adjacent to protected areas or zones of great value for biodiversity outside protected areas**

Business	Type of operation	Location with regard to the protected area	Area (ha)		Value of biodiversity 2023		
			2023	2022			
Electricity	Generation	Renewable	Within the area and next to the area	21,324.93	20,656.61	MNA, PPG, MAB, OSPAR, RAMSAR, IBA, PEIN, PJJN, PNA, RF, RN, ZEPA, ZH, ZIC, ZREEN	
		Conventional	Within the area and next to the area	231.48		MAB, CE, IBA, ZREEN MAB, CE, IBA, ZREEN	
Electricity	Transmission and distribution	Transmission and distribution	Within the area and next to the area	30,217.22	24,418.06	MNA, PN, PPG, LPM, MAB, OSPAR, RAMSAR, ANP, AR, ARM, AUM, BP, HP, IBA, INDEF, M, PE, PNA, PR, RF, RFS, RH, RN, RVS, ZECIC, ZEPA, ZIC, ZREEN	
							MNA, PN, PPG, LPM, MAB, OSPAR, RAMSAR, ANP, AR, ARM, AUM, BP, HP, IBA, INDEF, M, PE, PNA, PR, RF, RFS, RH, RN, RVS, ZECIC, ZEPA, ZIC, ZREEN
Gas	Exploration	Exploration	Within the area	0	510.13		
Gas	Biomethane production and injection	Biomethane production and injection	Within the area and next to the area	0	0		
Gas	Transmission and distribution	Transmission and distribution	Within the area and next to the area	10,651.07	9,720.79	AUS, MNA, PN, PPG, MAB, OSPAR, RAMSAR, ZEPIM, ANP, APA, ARIE, BP, CE, EN, HP, IBA, M, PE, PEIN, PJJN, PJJNIN, PJJNM, PNA, PPU, PR, PU, REX, RFS, RN, RNC, RNP, RVS, ZECIC, ZEPA, ZH, ZIC, ZPECP, ZPHE, ZREEN, ZRES, ZSCE	

AUS: Área protegida con uso sostenible de los recursos naturales, MEX | MNA: Monumento natural, BRA ESP MEX PAN | PN: Parque nacional, ARG ESP MEX PAN | PPG: Paisaje terrestre/marino protegido, ARG ESP PAN | LPM: Lugar de patrimonio mundial, ARG PAN | MAB: Reserva de la Biosfera, CHL CRI ESP MEX PAN | OSPAR: Las áreas protegidas, del Convenio para la protección del medio ambiente marino del Atlántico del nordeste (OSPAR), ESP | RAMSAR: Humedales de importancia internacional especialmente como hábitat de aves acuáticas, ARG ESP MEX PAN | ZEPIM: Zonas Especialmente Protegidas de Importancia para el Mar Mediterráneo, ESP | ANP: Área natural protegida, ARG MEX | APA: Área de protección ambiental, BRA MEX | AR: Área recreativa, PAN | ARIE: Área Relevante de Interés Ecológico, BRA | ARM: Área de recursos manejados, PAN | AUM: Área de uso múltiple, ARG PAN | BP: Bosque protector, BRA PAN | CE: Corredor ecológico, BRA DOM | EN: Enclave Natural, ESP | HP: Humedal Protegido, ESP | IBA: Important Bird Area (áreas importantes para la conservación de las aves y la biodiversidad), ESP | INDEF: SIN DEFINIR, PAN | M: Microrreserva, ESP | PE: Parque estatal/Estadual, ARG BRA MEX | PEIN: Plan Especial de Protección, ESP | PJJN: Paraje Natural, ESP | PJJNIN: Paraje Natural de Interés Nacional, ESP | PJJNM: Paraje Natural Municipal, ESP | PNA: Parque natural, ARG ESP | PPU: Parque Periurbano, ESP | PR: Parque Regional, ESP | PU: Parque Urbano, MEX | REX: Reserva extractiva, BRA | RF: Reserva fluvial, ESP | RFS: Reserva forestal, CHL PAN | RH: Reserva Hídrica, PAN | RN: Reserva Natural, ESP | RNC: Reserva Natural Concertada, ESP | RNP: Reserva Natural Parcial, ESP | RVS: Refugio de vida silvestre, BRA PAN | ZECIC: Zona de Especial Conservación de Importancia Comunitaria, ESP | ZEPA: Zona de especial protección para las aves, ESP | ZH: Zonas Húmedas, ESP | ZIC: Zona de Importancia Comunitaria, ESP | ZPECP: Zona de Preservación Ecológica de los Centros de Población, MEX | ZPHE: Zona de protección hidrológica y Ecológica, MEX | ZREEN: Zona de Red Ecológica Europea Natura 2000, ESP | ZRES: Zona de restauración, MEX | ZSCE: Zona Sujeta a Conservación Ecológica, MEX.

	Total sites			Sites within protected areas			Sites adjacent to protected areas			Total sites within or adjacent to protected areas				
	2023	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	Sites with environmental management plans (%)
<b>ELECTRICITY GENERATION</b>														
<b>Renewable</b>														
Wind farms	85	n.a.	2,053.0	31	n.a.	432.6	25	n.a.	392.0	42	n.a.	824.6	100 %	
Photovoltaic power plants	24	n.a.	1,881.4	4	n.a.	305.9	1	n.a.	6.2	5	n.a.	312.1	100 %	
Hydropower plants	71	n.a.	21,752.1	39	n.a.	14,475.3	23	n.a.	5,595.6	43	n.a.	20,070.9	100 %	
Combined-cycle power stations	15	n.a.	245.4	3	n.a.	39.2	6	n.a.	78.2	8	n.a.	117.4	100 %	
<b>Conventional</b>														
Coal-fired power stations (being dismantled)	4	n.a.	266.3	2	n.a.	164.9	1	n.a.	56.5	2	n.a.	221.4	100 %	
Fuel oil-fired power stations	2	n.a.	8.1	1	n.a.	0.9	1	n.a.	3.5	1	n.a.	4.4	100 %	
Cogeneration	5	n.a.	17.7	1	n.a.	4.8	1	n.a.	0.9	2	n.a.	5.7	100 %	
<b>RENEWABLE GASES</b>														
Biomethane plants	2	n.a.	0.1	0	n.a.	0	0	n.a.	0	0	n.a.	0.00	100 %	
<b>ENERGY GRIDS</b>														
<b>Electricity grids</b>														
Power lines	n.a.	152.928	129,576.8	n.a.	29.539	29,989.0	n.a.	n.a.	n.a.	n.a.	29.5	29,989.0	100 %	
Substations	533	n.a.	546.1	109	n.a.	185.1	14	n.a.	43.1	118	n.a.	185.1	100 %	
<b>Gas networks</b>														
Gas pipelines	n.a.	119.301	196,809.6	n.a.	5.653	10,599.2	n.a.	n.a.	n.a.	n.a.	5.65	10,599.2	100 %	
LNG, CNG and LPG plants	291	n.a.	240.9	91	n.a.	46.1	16	n.a.	5.7	107	n.a.	46.1	100 %	

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 20,066 ha, 95% of the surface area of the Power generation category, within or next to protected areas, refers to hydropower plants in Spain that were built after 1910 and before the protection regimes for these areas existed. In fact, many of these reservoirs, previous to the protection figure, constitute natural highly valuable aquatic spaces, which have created the natural wealth in biodiversity and caused the area to be subsequently granted environmental protection.



**Surface area of sites within or adjacent to protected areas (%)**





## Impact on protected species

[304-4]

### ▪ IUCN Red List species and national conservation list species with habitats in areas

	2023				
	Critically endangered species	Endangered species	Vulnerable species	Almost threatened species	Least concern
Mammals	2	15	28	22	354
Birds	3	27	40	46	1193
Reptiles	6	13	17	17	437
Amphibians	23	23	20	9	216
Fish	24	32	25	24	355

The International Union for Conservation of Nature (IUCN) conducts ongoing reviews of species listings.

## Biodiversity initiatives

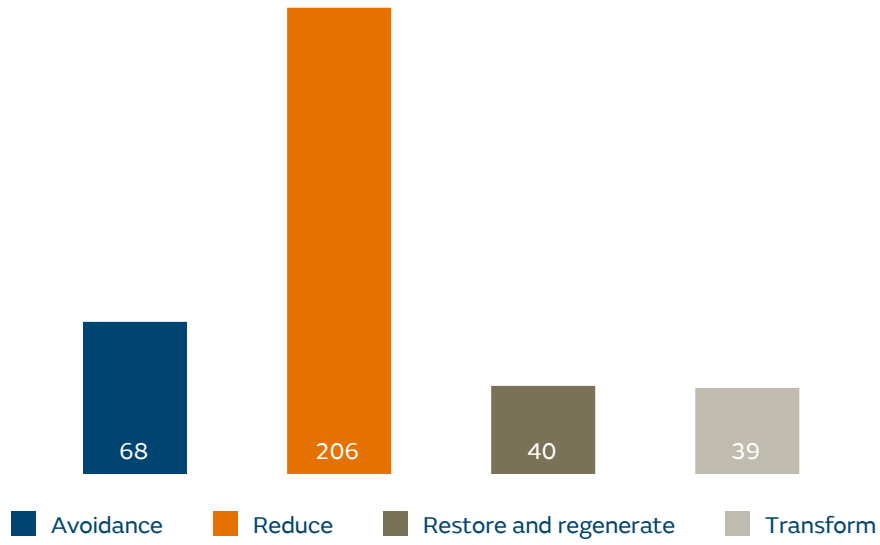
[304-3]

Naturgy aims to implement at least 350 biodiversity initiatives by 2025. These are improvement initiatives that are developed throughout the life cycle of the facilities (construction, operation, decommissioning) in order to reduce and offset the negative impacts on biodiversity. To this end, Naturgy develops various actions. These actions can be classified according to the mitigation hierarchy into the following categories:

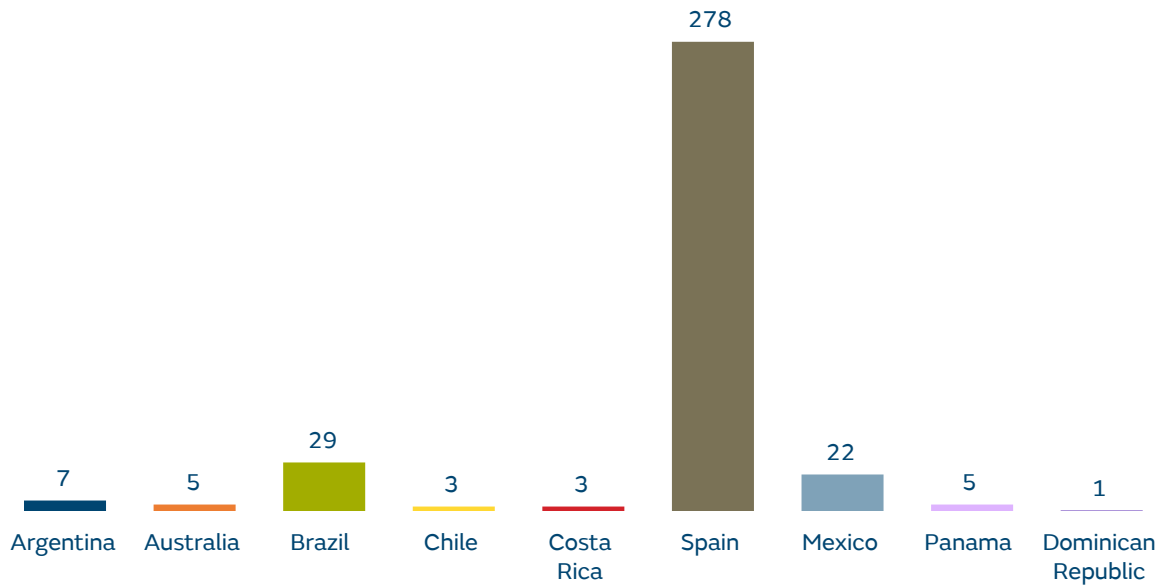
- Avoidance: the first step in preserving the good state of nature is to avoid negative impacts generated by the company on the environment, through proper site selection, planning and execution of activities. This category includes preliminary environmental studies carried out at the design stage of new projects.
- Reduce: when it is not possible to avoid negative impacts on nature, the second step the company takes is to minimise them. This category includes measures contemplated in projects to reduce the impact on vegetation, fauna or ecosystems (e.g. impact control, anti-collision measures for birds in wind farms or power lines, etc.)
- Restore and regenerate: where impacts cannot be fully minimised, Naturgy undertakes measures to create natural capital and compensate for net biodiversity loss.
- Transform: the last phase corresponds to the actions taken by the company to restore ecosystems, over and above compensating for negative impacts, with the aim of being positive in nature. This category includes voluntary biodiversity initiatives for nature protection that are not linked to offsetting negative impacts on specific installations.

Biodiversity initiatives developed in 2023 are listed below.

▪ **Biodiversity initiatives by mitigation hierarchy**



▪ **Biodiversity initiatives by country**



Different environmental restoration actions have also been carried out. The following table is a summary of the most important actions taken in 2023.

- **Habitats protected or restored**

[304-3]

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species	Validated by external independent professionals
Argentina	Gas distribution	Reforestation of an area affected by forest fires in the Sierra de San Javier Park, Tucumán province. 1,000 native trees were planted for forest restoration, which will contribute to biodiversity recovery and climate change mitigation. Volunteers from the company and their families participated in this project.	40.0	Yes	Yes
Australia	Renewable generation: wind	Replanting in order to create new vegetation areas and landscape screening of the wind farm.	0.1	No	Yes
Brazil	Renewable generation: photovoltaic	Maintenance, monitoring, pest control and replanting of revegetated areas around photovoltaic plants. Some of the species used in the revegetation are threatened according to IUCN.	19.1	Yes	Yes
Brazil	Gas distribution	Regular maintenance to ensure the establishment of the specimens planted in the region of Sao Paulo for the recovery of the Atlantic Forest.	0.2	Yes	Yes
Spain	Renewable generation: photovoltaic	Reforestation, maintenance and environmental restoration in the surroundings of the new photovoltaic installations, to create reserve areas for biodiversity. In some cases they include the construction of watering ponds to support amphibians and reptiles and also as a watering point for birds and livestock.	237.0	No	Yes
Spain	Renewable generation: photovoltaic	Creation of a conservation reserve area for steppe birds within a protected SPA by maintaining an area of long-term fallow land. To this end, agreements have been reached with farmers responsible for the land so that it can be left fallow and used by steppe birds, such as the endangered little bustard.	15.0	Yes	Yes
Spain	Thermal generation: combined cycle	Control and monitoring to eliminate the invasive species Cortaderia selloana (Pampa duster) is being maintained in the area around the Sabón power station. In addition, on Tree Day, a family day is held with employees of the plant to plant several trees in the surrounding area.	0.6	No	No

Spain	Naturgy Corporation and Foundation	The creation of the Naturgy forest has begun, through two initiatives. The first, in Galicia, was the recovery of a wooded area damaged by drought and pests (1 ha). The second, in an area of the Community of Madrid affected by a forest fire (7 ha), planting different native species to reduce the carbon footprint and expand the forest ecosystem. In both cases, biodiversity criteria have been considered in the selection of species.	8.0	Yes	Yes
Spain	Corporate	Restoration of the banks of the Jarama river, in collaboration with the Natural Environment Service, in the SPA “Carrizales y Sotos del Jarama y Tajo”, an area of great ecological value which is a refuge for marshland bird species.	9.0	Yes	Yes
Chile	Renewable generation: wind	Rescue of valuable plant specimens, relocation and environmental restoration in the surroundings of new wind farms.	2.4	No	No
Costa Rica	Renewable generation: hydropower	Reforestation in the vicinity of hydropower plants, prioritising the area of the new containment dam. This dam was built as a climate adaptation measure to prevent damage to the facility caused by flooding of the river. Revegetation is a nature-based solution to prevent erosion in nature.	0.2	No	No
Panama	Renewable generation: hydropower	A plantation of <i>Pinus caribea</i> has been established in the La Yeguada forest reserve, which is a protected area at the headwaters of the hydrological basin of the San Juan river.	0.2	Yes	No
Panama	Electricity distribution	Various reforestation actions have been carried out. These include the reforestation of vulnerable areas in the wetlands of the Camino de Cruces National Park (essential to guarantee the capital’s water supply), the reforestation of the gallery forests of Lake El Flor or the Metropolitan Park of David. Employee volunteers have collaborated in some occasions, and environmental awareness has also been promoted.	3.6	Yes	No
Mexico	Thermal generation: combined cycle	Greenhouses have been set up on the premises of two combined-cycle power stations, in which species native to the area are reproduced and used for reforestation. Universities and technology centres in the area have collaborated with the project.	0.1	No	Yes
Dominican Republic	Thermal generation: conventional	Participation in the “Red Line Rescue Mission” project promoted by the National Botanical Garden, the Ministry of the Environment and ECORED for the rescue of endangered species in the Dominican Republic. Specifically, Naturgy has sponsored the Ozua pepper (in danger of extinction) species, carrying out seed collection, nursery reproduction and planting, as well as awareness-raising activities in the Wetlands of Ozama National Park.	0.2	Yes	Yes
<b>Total restored area 2022 (ha)</b>			<b>335.7</b>		
<b>Target area restored 2022 (ha)</b>			<b>60.0</b>		

Finally, some of the biodiversity initiatives developed in 2023 are highlighted below.

## Naturgy Forest

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In 2023 Naturgy started its reforestation initiative “Naturgy Forest”, its first corporate forest, with the planting of five types of trees (cork oak, oak, chestnut, yew and holm oak) in an area of one hectare in the area of Cabanas, in A Coruña. The aim is to contribute to the creation of natural capital, generating indigenous ecosystems, in order to combat climate change. For the selection of species, a preliminary silvicultural study was carried out based on the native species suitable for this environment. The planting was done by means of alveoli, which ensures that the trees take root and grow with the same guarantees as they would in the natural environment, thus recovering the ecosystem.

This initiative has recovered degraded areas in Galicia and has the international FSC certification, which guarantees the management of the forest with biodiversity criteria and benefits for the local population. This point is particularly important for Naturgy, as it considers that climate solutions must go hand in hand with biodiversity and social development, and therefore focuses its strategy for absorbing and offsetting emissions on projects that generate a net creation of natural capital and have a positive impact on the local population.

In addition to this project, and coinciding with the 30th anniversary of its foundation, it has launched a second reforestation project with the creation of the Bosque Fundación Naturgy. The project has regenerated an area of 7 hectares in the Community of Madrid affected by a forest fire in 2019, by planting 7,000 trees of different native species (*Pinus pinaster*, *Quercus pyrenaica* and *Celtis australis*). It is estimated that, after a development and maintenance period of 50 years, this corporate forest will contribute to the absorption of 2,220 tonnes of CO<sub>2</sub> equivalent and will enable carbon credits certified by the Office of Climate Change, as well as being a biodiversity hotspot. The reforestation will provide valuable ecosystem services, such as the enrichment of a protected natural area between the Alberche and Cofio river basins, as well as the enhancement of biodiversity, protecting 147 protected species, including the imperial eagle, the golden eagle, the black vulture, the eagle owl, the peregrine falcon, the otter and the wild cat.

These projects are aligned with Naturgy’s commitment and with the objectives of its Sustainability Plan 2021-2025, and will have a triple positive impact: environmental, through its contribution to the conservation of biodiversity, the reduction of climate impact and the generation of natural capital; social, by favouring rural development and the generation of employment; and economic, as it will boost sustainable investments and local growth.



### **Biodiversity actions in the surroundings of the Palos de la Frontera combined-cycle power station**

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In the south of the peninsula, at the tip of the Flecha de Nueva Umbría, the area in which our Palos de la Frontera combined-cycle power station operates, is the Paraje Natural 'Marismas del Río Piedra y Flecha del Rompido', a designated Red Natura 2000 site, Special Protection Area for Birds (ZEPA) and Special Conservation Area (ZEC). Two protected coastal birds nest in this important area every year: the Kentish Plover and the Little Tern. The Kentish Plover is listed as 'Vulnerable' in the Red Book of Birds of Spain and 'Endangered' in the Red Book of Threatened Vertebrates of Andalusia, while the Little Tern is one of the species covered by the United Nations Environment Programme's (UNEP) Agreement on the Conservation of African-Eurasian Migratory Waterbirds (AEWA).

Each year, the Environment area of the Conventional generation department carries out voluntary actions to improve biodiversity and nature conservation, in line with the corporate strategic axis of 'Biodiversity and natural capital'. In 2023, it has been decided to act in this privileged enclave of marshes and coastal sands, a breeding, wintering and passage area for many waders and other wetland species. The project consisted of the installation of perimeter fencing and informative signage to protect the nesting of these birds from human pressure, while protecting the dune ecosystem of the area. In addition, informative talks have been given in local schools to raise awareness among young people of the need to protect the ecosystem and the biodiversity of the beaches. The result has had a very positive environmental and social impact, as it has contributed to the improvement of the population of these protected coastal birds, all in harmony with the tourist use of the area and respecting public spaces.



For more information, see the project [video](#) .

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## 07. Customer experience

### Naturgy's contribution to the SDG



Naturgy, as a group integrated along the energy value chain, understands customer experience as a fundamental pillar of its activity. Naturgy seeks to be the energy company of reference, and to this end accompanies, cares for and advises its customers with the aim of receiving the best service at the lowest possible price.

The Group's commitment is not only to its customers, but also to non-customers. It provides society with relevant content on energy and sustainability to inform, educate and raise awareness of the importance of the safe and rational use of energy as well as the impact on the planet. An example of this is the campaign launched in the last quarter of the year in the mainstream media called "Ojo al Vatio" (Eye on the Watt). This campaign, carried out in partnership with the Mediaset communication group, seeks to raise awareness of the importance of energy saving and efficient energy consumption. The initiative aims to encourage a more conscious attitude and bring about a real and lasting change in the relationship households have with energy efficiency.

Such initiatives aimed at encouraging a more conscious and responsible attitude to household energy use have had a prominent dimension in 2023, a year conditioned by the continuation of the war in Ukraine and the start of the war in Gaza. This tense geopolitical situation has been compounded by an economic environment of high inflation, which has led to the implementation of monetary tightening policies such as the hike of interest rates by international regulators. However, 2023 has been a year of gradual normalisation of energy prices after the start of the escalation in 2021 and which, following the conflict in Ukraine in 2022, worsened as the arrival of natural gas from Russia to the countries of the European Union was drastically reduced.

In Spain, the average price of electricity in the daily wholesale market closed 2023 at more than Euros 88/MWh, representing a 53% reduction compared to the average price in 2022. The measures taken by the European Union countries due to the Russian invasion of Ukraine in 2022 and the weather conditions in Spain, which have led to a record generation of renewable electricity, have led to this decrease in prices compared to the previous year. In addition, the Spanish government has maintained the initiatives to contain the price of energy bills implemented in 2022, including the adjustment mechanism and reduced VAT.

## 1. Customer experience in 2023 at Naturgy

### Evolution and results

	2023	2022
Net Promoter Score (NPS) Spain commercialisation (global) (%) <sup>(2)</sup>	27.0	20.8
Net Promoter Score (NPS) Argentina BAN (global) (%) <sup>(2)</sup>	57.4	46.0
Net Promoter Score (NPS) Argentina Gasnor (global) (%) <sup>(1)</sup>	64.1	N/A
Net Promoter Score (NPS) Brazil (global) (%) <sup>(2)</sup>	58.7	52.1
Net Promoter Score (NPS) Chile Metrogas (global) (%)	68.0	56.2
Net Promoter Score (NPS) Mexico (global) (%) <sup>(2)</sup>	73.0	39.4
Net Promoter Score (NPS) Panama (customer service) (%) <sup>(2)</sup>	7.0	7.4

The significant increase in the indicator in the Mexican subsidiary is due to the introduction of various improvements both in the methodology used to prepare the study to measure customer perception and in operational improvements introduced in the process, which have resulted in an improvement in customer service response times.

### Highlights of the year

- In its commitment to customers, Naturgy has extended the price reduction initiative started in 2022, both in electricity and gas, to more than 2 million customers (residential and SMEs). Of these, 1.5 million have benefited from a mean reduction of more than 30% in the variable energy price.
- During 2023, Naturgy has maintained its commitment to sustainability, achieving an important milestone by having more than 1,600,000 contracts with eco electricity certificates (through Guarantees of Origin mechanisms - GoO) and 480,000 contracts with eco gas certificates (through Certified Emission Reduction Certificates - CERs). These certificates are a sign of the company's commitment to the environment and the fight against climate change.
- For the first time in 2023, biomethane with guaranteed renewable gas origin has been marketed in Spain, either its own or purchased on the market, specifically 7,596 MWh.
- In 2023, Naturgy's online business in Spain has consolidated its growth position of previous years by increasing by 16% the sale of electricity, which has accounted for 17.0% of Naturgy's sales.
- In the Latin American subsidiaries, promotion and general improvement of digital channels, voice recognition systems and the incorporation of new functionalities that allow customers to manage supply-related aspects autonomously.



## 2. A tailored value proposition

Naturgy, committed to bringing peace of mind and care to its customers, has continued with the measures aimed at mitigating the impact of energy prices on household economies launched in 2021, while at the same time launching several initiatives to protect the commercial and industrial fabric.

Within this context, Naturgy has reaffirmed its commitment, announced in November 2021, to allocate all available infra-marginal energy to supply electricity at a competitive price through all its tariffs (the residential price takes an energy cost signal much lower than those recorded in 2023). The infra-marginal allocated to its customers in 2023 was 12 TWh (up from 10 TWh in the previous year).

Furthermore, in view of the entry into force of the “Iberian exception” for Spain and Portugal in 2022, approved by the Spanish government and the European Union, Naturgy sent all its customers information notices on how this situation was going to affect them and when they would have to start paying the gas compensation fee.

### Naturgy’s commercial strategy in Spain

In Spain, energy commercialisation and distribution activities are clearly separated. While gas and electricity commercialisation is liberalised, distribution is regulated. However, distribution companies also provide some services directly to the customer, e.g. meter reading or periodic inspection, and also deal with customer requests and complaints.

In Spain, Naturgy sells energy through four marketers depending on the segment and market.

Free Market	Residential, Homeowners’ Associations and Businesses	Naturgy Iberia S.A. Naturgy Clientes S.A.U.
	Industrial	Gas Natural Comercializadora S.A.
Regulated Market	Residential and Homeowners’ Associations	Comercializadora Regulada Gas & Power S.A.

### Commercial offer

[IF-EU-420a.3], [IF-GU-420a.2] and [416-1]

Naturgy remains committed to offering a commercial supply supporting the energy transition, based on eco-efficient, simple and customisable products, and maintains its traditional portfolio of services and equipment.

The commercial supply for 2023 includes the following:

- Promotion of self-consumption and charging of electric vehicles in all segments.
- A tariff portfolio segmented according to the needs of each type of client:
  - For Residential, simple products for the home in which the customer can choose the option that best suits their needs: fixed price per kWh, with and without hourly discrimination for electricity, or a personalised flat rate for electricity or a fixed price or personalised flat rate for gas.
  - For SMEs and homeowners’ associations, products adapted to the customer’s needs: fixed price per kWh for electricity adapted to the different consumption periods, fixed prices for gas with a specific commitment tariff for homeowners’ associations and prices pegged to the market, both for electricity and gas.
  - For the Industrial Sector and Companies, a wide range of flexible gas and electricity solutions with a focus on renewable solutions, providing services focused on decarbonisation and managing subsidies for its customers. In these solutions, Naturgy offers a comprehensive service ranging from the initial study, planning of the solution, installation, support management and maintenance throughout the contract, thus achieving maximum efficiency.

That said, in Industrial, there has been a continued reduction in the cost of energy, both electricity and gas, during 2023. Naturgy has accompanied this evolution with the adaptation of the commercial offer: greater sales pegged to HUBs, mainly the most representative in Spain which is MIBGAS, as well as providing with fixed prices that allow customers to secure their costs in the medium and long term.

- For all customers, the possibility of green electricity commercialisation through the allocation of guarantees of origin equivalent to the previous year’s consumption -managed by the CNMC-, and neutral gas with CO<sub>2</sub> emissions offset with CERs (Certified Emission Reduction Certificates) -a process certified by AENOR-. Commercialisation of biomethane (renewable gas) with guarantees of gas origin has also started.
- New power recommendation tool: improvement of the online power optimisation process to encourage customers to assess whether they can make any adjustments to their contracted power in order to save on their bill.
- Development of new maintenance services that reinforce the commitment to peace of mind at home: from Servigas (focused on gas supply and equipment), Servielectric (electricity supply and equipment), Servihogar (home services) and Servisolar (specific for self-consumption installations).
- Solutions for the renovation of equipment in the home to improve comfort and energy efficiency, including financing options, extended warranty and maintenance. In this regard, the measures aimed at improving the energy efficiency of Naturgy’s customers have led to savings in gas and electricity consumption equivalent to 1.3 TWh.

[IF-EU-420a.3] and [IF-GU-420a.2]

### Innovative products and services in the home

Naturgy Solar	Integral service that offers to all those people interested in the environment and savings a “turnkey” solution, taking advantage of the sun’s resources, without worries and at an optimal cost. Available in its version for individual and collective self-consumption to the internal homeowners associations and to all customer segments.
Virtual Battery	Service for customers to use generation surpluses for self-consumption and thus save even more on their energy bill.
ServiSolar	Maintenance service for solar installations that includes annual preventive maintenance, technical assistance and repair service in less than 48 working hours, with telephone assistance 24h/365 days, travel and three hours of free labour.
Naturgy Recharge	Comprehensive and personalised electric mobility solution that allows customers to enjoy their electric vehicle charging point.
Value-added services family	In 2023, in its maintenance and repair services, Naturgy offset the CO <sub>2</sub> emissions of all home service callouts.
Servielectric Xpress Parts	Service that extends the current coverage of the Servielectric Xpress modality, covering the cost of the parts of the main household appliances in the event that they need replacing.
Friends & Naturgy	Naturgy product and service recommendation programme in which rewards are offered for each friend that the customer recommends and contracts with Naturgy, with the possibility of obtaining up to €170.
Solution for installation and renovation of equipment in homes	In 2023 Naturgy improved the comprehensive offer for the installation and replacement of boilers, air conditioning equipment, heaters and water heaters, extending the manufacturer’s warranty to six years and with the option of 24-hour installation for boilers.

### Innovative products and services for homeowners’ associations and SMEs

GAS Commitment Plan for Homeowners’ Associations	As part of the Naturgy Group’s Commitment Initiatives, and following the worsening of the situation of the gas energy market during 2022, Naturgy enabled a gas tariff for homeowners associations. This tariff has been consolidated during 2023 and has allowed lowering the price proactively to more than 2,000 homeowners’ associations.
GAS Commitment Plan for SMEs	Likewise, within the Naturgy Group’s Commitment Initiatives, Naturgy enabled a fixed-price gas tariff for SMEs, which has been consolidated and developed in 2023, currently serving more than 1,500 SMEs.

Fixed price plans	Stable price for a year adapted to the consumption of each customer, regardless of fluctuations in the market price of electricity, ensuring control and forecasting of annual expenditure. Includes the option of 100% ECO power, when requested by the customer.
Variable price plans	Monthly plan adapted to the wholesale electricity/gas market, for those customers who want to save while assuming a certain risk. 100% ECO energy, when requested by the customer.
ServiSolar SME (<10kW)	Extension of the ServiSolar service for maintenance of solar installations to SMEs of 10kW power.
Virtual Battery SMEs	New service for the self-consuming SME customer to use surpluses generated to save even more on their energy bill. With this innovative product, Naturgy provides the SME customer with a solution that allows them to maximise the profitability of their self-consumption installation.
Value-added services family	Maintenance and repair services for business equipment in gas and electricity for the SME segment. Customisable based on the customers' needs.
<b>Innovative products and services for industry and large business</b>	
Index-linked prices with gas and electricity pricing options	Natural gas and electricity tariffs pegged to the most liquid HUBS in Europe, such as MIBGAS and TTF in the case of gas and OMIP in the case of electricity, with the option of setting prices for specific volumes and terms associated with the supply.
Management of grants and subsidies	Advice on the possibility of applying for grants/subsidies and the management of their processing.
GoO for renewable gas in European and national markets	Electronic certificate that certifies the renewable character of 1 MWh of gas and provides detailed information on its production to demonstrate to the end consumer that a certain share or quantity of energy has been obtained from renewable sources.
Certified sustainability test	Certification of the biomethane supplied through the International Sustainability and Carbon Certification (ISCC) EU voluntary sustainability scheme, using the mass balance methodology.
<b>Innovative energy solutions for homeowners' associations, SMEs, industry and large customers</b>	
Naturzero	New comprehensive service for the decarbonisation of companies and large industrial customers through three independent and correlative solutions, which allow us to establish strategies and realistic objectives to invest in energy efficiency, reduce greenhouse gas emissions and contribute to cost reduction.
Gascomfort	Service for customers with centralised boilers (homeowners' associations and companies) to optimise the central production plant through the renovation of the equipment, or the transformation of the room and integral management throughout the life of the contract. Equipment financing service, maintenance and 24/7 customer service.
Efficiency solutions	Service aimed at companies and industrial customers which, through consumption monitoring, provides information on consumption habits on a digital panel 365 days a year, and thus allows for expert advice on energy efficiency. Energy audits are available.
LNG option	Aimed at companies and large industrial customers, the service enables natural gas to be brought to customers far from the distribution network. Includes supply, transmission, LNG logistics and maintenance of the LNG terminal.
Naturgy Solar	Comprehensive photovoltaic self-consumption service for industrial customers, from design and installation to maintenance and surplus management.
Recharge	Comprehensive service for electric vehicle charging points. Complete installation, legalisation and management of subsidies, operation, maintenance and electricity supply included.

## Improving the customer experience in contracting

Naturgy's goal is to be an accessible and approachable agent for the customer from the outset. This is why a great deal of effort is put into making the contracting process clear, understandable and traceable. The recruitment process, previously segregated and differentiated for each contracting channel, has been simplified into five steps, which are maintained regardless of the contracting channel (online, telephone or face-to-face).

These contracting steps, moreover, are structured on the same online platform, which is the Single Sales Front, accessible by all commercial agencies as well as by the customer who contracts unassisted through Naturgy's website. The purpose of using a single platform is not only to bundle processes, but also to ensure that the communication and explanation of information requests are sufficiently clear to a customer wishing to contract their energy online. This has many advantages, including the fact that no specific training is required for sales agents, and that the customer's experience when contracting through a sales agent is also fully satisfactory.

In terms of experience, perception and communication with its customers, Naturgy has promoted different projects aimed at improving their experience. For example, to ensure that the contracting experience is traceable for the customer, a series of communications are sent by email or SMS (depending on the medium indicated in the contracting process) including, among others: access to the contract signing and downloading portal, acceptance of the use of personal data, activation or contract failure notice in case of refusal, and assistance in the new processing. A further aspect to be noted in 2023 is the development of a new fully digital marketer that transforms all processes with a focus on simplicity and ease for the customer, offering a service that is more expeditious and closer at hand.

## Tools to strengthen the sales channel

### Ezzing

The main objective of the implementation of the new platform for the management of Naturgy Solar is the automation of the commercial process, thus achieving greater commercial and contracting agility, better customer experience and greater potential to make the product scalable. In this way it is integrated into the rest of Naturgy's systems.

### RoboCUR

RPA (Robotic Process Automation) streamlines the contracting and transfer process for the Group's last resort marketer. The ultimate aim is to facilitate the activation of gas and electricity contracts under regulated tariffs, which is particularly relevant for vulnerable customers.

Naturgy has developed different applications that help strengthen the sales channel, as well as tools that improve the customer experience throughout the contracting process, giving them autonomy.

### BLUE, commercial knowledge manager

Implemented in October 2022 for all channels providing commercial services. The BLUE manager is a tool that:

- Hosts all procedures and sales support materials, product sheets, manuals, contracts, annexes of economic conditions, etc.
- Has an interactive search engine that allows an expeditious search of, for example, queries made by customers at the same time.
- Sends alerts on news and new content.
- Provides traceability on the opening of communications to ensure that you have the most updated version of your portfolio and campaigns.
- Concentrates access to the rest of the tools needed to carry out the commercial work.

BLUE Industrial was launched during 2023. By the end of the year, 375 commercial communications had been published and 20 webinar briefings had been held.

### GECO, channel contract manager

Implemented in September 2023 for all face-to-face channels providing commercial services. The GECO manager is a tool that represents a step forward in the digitalisation of the relationship with the channels, optimising the digital signature process and reducing management times.

Since its implementation, more than 370 collaborating companies manage all their contractual documentation through the tool.

### Training and knowledge management for service and operational channels

During 2023, Naturgy has continued to develop its centralised and comprehensive knowledge management solution for its service and operation channels driven by technology via an Agora training platform (LMS), the evolution of the current CMS Sapiens and a monitored operation (MASVOZ + JIRA+ SD).

Additionally, with the incorporation of a new supplier, the company is working to promote the digital transformation of learning, with virtual platforms, new designs, the development of e-learning content and the delivery of training programmes for all customer service channels and areas of operation.

### Automation and digitalisation of the processes linked to commercial recruitment

In addition to the development of the aforementioned tools, during 2023 Naturgy worked on the automation and digitalisation of other processes linked to commercial recruitment:

- Automation to incorporate to the sales channel the contacts from potential customers (leads), which will make it possible to establish much more personal relationships with them and users.
- Reorganisation of the website content for customers ([www.naturgy.es](http://www.naturgy.es)) by type of segment: businesses, homeowners' associations and large industrial customers. To this end, three new sections have been created, with product pages and content tailored to each segment. These changes simplify the customer journey and improve business indicators for business segments and homeowners' associations.

Finally, in the face of increasing digitalisation and automation of processes, it is important to have the capacity to analyse the large volume of information available to the company. To this end, an agreement has been reached with Quantum Metric, a tool for behavioural analysis and continuous improvement of digital assets to improve the customer experience in digital environments.

### Energy affordability

[IF-EU-240a.1], [IF-GU-240a.1], [IF-EU-240a.2], [IF-GU-240a.2], [IF-EU-240a.4] and [IF-GU-240a.4]

Naturgy considers that energy affordability for customers is influenced by other external factors such as network availability (accessibility of electricity and gas connections), customer energy needs (climate, quality of buildings, type of appliances, etc.), energy costs (international product market, Group generation mix, weather, etc.), disposable income of the population (GDP per capita, employment rate, energy poverty indicators, etc.), and energy policy and the regulatory environment. More information on the latter can be found in Annex IV. Regulatory framework of the Consolidated Annual Financial Report.

Detailed information on average tariffs, typical gas and electricity bills, the number of customers disconnected for non-payment and reconnections after payment is available in "Annexes, section Customer experience" in this report.

### 3. Customer relations

[2-25]

For Naturgy, customers are at the centre of all operations. In order to provide the quality service demanded by the company's standards, Naturgy takes the utmost care in the service it provides to its customers so that it is agile and efficient and a benchmark in the sector, all while complying with legal and profitability requirements. To this end, it is essential to establish an active dialogue that makes it possible to discern the needs and to resolve doubts, claims and complaints in the most satisfactory way for the customer.

Providing a customer service that meets the expectations of an increasingly demanding and better informed customer in a context of frequent regulatory changes is a challenge to which Naturgy continues to respond with a multi-channel service. Accordingly, each year the company incorporates new channels adapted to technological changes and reinforces and improves existing media.

As in the contracting of products and services, the premises on which Naturgy's customer service model is based are digitalisation, automation of processes, promotion of customer self-management and uniformity of customer service across all channels to provide a unique omnichannel experience for the customer.

Attention to vulnerable groups remains a priority. During 2023, the initiatives developed in Argentina, Brazil, Mexico and Spain have been maintained, as well as those carried out by the Naturgy Foundation. For more details on the initiatives carried out by the Naturgy Foundation, see chapter "Social Responsibility".

#### Digital channels

For Naturgy, the digital relationship with and for its customers is a key pillar in its growth and digitalisation targets. The volume of activity reported in 2023 in Spain has consolidated the growth achieved in 2022 in all its digital spaces.

During this period, it should be noted that the websites [www.naturgy.es](http://www.naturgy.es) and [www.comercializadoraregulada.es](http://www.comercializadoraregulada.es) received more than 36.0 million visits, adding to this, the more than 15.0 million customer visits received in the apps of both Naturgy Iberia and Comercializadora Regulada. Of these visits, more than 500,000 have been interested in photovoltaic self-consumption products, allowing Naturgy to increase its share of interest in search engines by 0.06 p.p.

Within the web spaces, it is worth highlighting the consolidation of the "Frequently asked questions and procedures" section as a space of interest both on corporate websites and in Google searches. Since it was launched at the end of 2022, more than one million visits per year have been achieved, offering customers information of interest related to their relationship with Naturgy and allowing to further guide the company's commitment to digitalisation.

Among other things, this has allowed the percentage of customers registered in the customer area to increase from 44% to 48%, in Naturgy Iberia (achieving an online bill penetration of 56% compared to 52% in 2022).

In addition, during this period, more than 3 million transactions were carried out from the digital spaces (including more than 100 cryptocurrency payments), of which more than 550,000 online requests were handled by the Pepe chatbot virtual assistant. All of this by providing service to more than 10 million visits to the digital customer areas (Customer Area).

This has meant a digital Net Promoter Score (NPS) growth of more than 16 points in both the digital customer and non-customer spaces.

In addition, the Friends & Naturgy programme reported more than 80,000 registered customers who already benefit from the benefits of sharing Naturgy products with their acquaintances.

Finally, with regard to social networks, the leadership of the sector has been consolidated, reaching more than 265,000 fans/followers (on Facebook, Twitter, Instagram and LinkedIn), and generating more than 250,000 digital interactions and 30,000 saves of interesting content. It is worth highlighting the growth on Instagram, exceeding 100,000 followers and consolidating the profile as the number one in the sector.

In Brazil, customer service via social media continued to increase. The number of requests through this channel exceeded 2,500. More than 263 posts were also published on institutional, commercial, sustainability, safety topics, among others, generating more than 1.4 million views.

## Customer service

### Customer service in the commercialisation business in Spain

Naturgy, with the aim of always putting the customer first, offers its current and potential customers a convenient customer service model, with agile and digital solutions, offering solutions tailored to each type of customer and seeking to maximise self-service.

Naturgy's customer service model is based on proximity, simplicity and multi-channels, offering customer service by telephone, e-mail and post as well as digitally through the web, social networks (Twitter, Facebook, Instagram), Pepe (web Chatbot and Customer Area) and WhatsApp. Naturgy also has over 130 stores throughout the country available to its customers. Naturgy strives for a homogeneous customer experience across all channels.

In a context of growth in the digital relationship with customers, Naturgy has continued its commitment to promote and improve its digital channels. For this reason, it has publicised its WhatsApp channel on the website and in the contracting process and has continued to give greater relevance to the Pepe virtual assistant, accessible both on the public website and in its spaces for customers in the Customer Area and in the Naturgy Customers app.

In 2023, customer service activity was significantly reduced, mainly due to lower energy prices, fewer regulatory changes and an improvement plan in all commercialisation processes to eradicate the root cause of many contacts.

In 2023, Naturgy has consolidated the implementation of the "I'll take care of it" model, providing the Naturgy agent with more tools and capabilities to maximise the resolution of customer requests at the first contact. Where first-contact resolution has not been possible, Naturgy has raised internal and external standards to manage open portfolios in the shortest possible time and with the highest quality.

The following are the main customer service milestones for 2023:

- Completion of the roll-out of the "I'll take care of it" model across all voice platforms, increasing first contact resolution (FCR) by 18 p.p. and customer satisfaction (NPS) by 35 p.p.
- Updating of the help section on the website (FAQs), with the aim of resolving the most frequent customer queries and providing guidance on the main reasons for contact/doubts in relation to the life cycle with the supplier (contracting, billing, products, customer area, etc.).
- Launch of an action plan to tackle the root cause of the main reasons for customer dissatisfaction. To this end, advanced analytics models have been used and process modifications have been addressed through development sprints, thus reducing implementation times.
- Implementation of a care laboratory in which new procedures have been deployed and new tools have been provided. The aim is to test new operations to increase first contact resolution, maximise satisfaction (NPS) and reduce churn.
- Implementation of a special attention team (SWAT), whose mission is to proactively deal with the most complex situations and contacts with an unsatisfactory closure that may lead to a contract termination.
- Focus on improving the time and quality of e-mail support. To this end, work has been done to improve response templates and to ensure interactions with the same customer from the same customer service team.
- Increasing operational efficiency by developing robots (RPAs) that automate the management of repetitive tasks, such as the name changeover process or the power changeover process.
- Naturgy has continued to improve its customer service management system aimed at home maintenance and assistance services through Salesforce, which automates communication with customers to make it easier for them to request services from different service channels. They also have video-assistance at their disposal, which allows a diagnosis of their malfunctions so that there is a more efficient solution.

- Analysis of agents' conversations with customers through generative AI models, assessing a more representative sample, and allowing the definition of new quality indicators, as well as an accurate classification of the reason for contact.
- Naturgy has opted to continue improving the main point of contact with the customer, the bill. To this end, it has granted it the status of a commercial product, devoting efforts to ensure that the end-to-end customer experience around it is as satisfactory as possible.
- During 2023, the adoption of online billing has continued to be driven forward, with more than 5% of the customer portfolio now receiving their bill by e-mail. Through this channel, a digital summary of the most relevant information is provided, thus helping the customer to understand the information and keeping them away from technicalities.
- Measurement of service quality at face-to-face customer service centres (stores) through methodologies such as the mystery customer, to ensure the quality and uniformity of customer service throughout the network.
- Launch of a plan to maximise in-store agent autonomy and first visit resolution.

All the improvements launched during 2023 have enabled Naturgy to achieve the best service levels in recent years. This has been recognised with the Platinum Contact Centre award for the best customer experience.

## Customer service in Latin America

In Latin America, gas and electricity distributors provide full customer service from supply to billing and customer service.

Customer service in the electricity and gas network business in Latin America focuses on taking advantage of the technological benefits of digitalisation to automate, streamline and simplify processes and offer customers an increasingly autonomous and multi-channel service experience.

The main developments implemented in 2023 in each of the countries providing gas or electricity distribution services are listed below:

### Argentina

- Transfer to a specialist of the development and administration of the interactive voice service (IVR) platform, which has enabled the platform to be unified in all the group's companies in Argentina (Naturgy BAN, GasNor and Energía San Juan) and the addition of the Cognitive Contact Centre (CCC) tool based on artificial intelligence. In this way, the customer interacts with a virtual assistant who offers clear, concrete and useful answers and 24-hour service every day of the week.
- Promotion of digital invoicing by e-mail achieving 53% acceptance among users and customers by 2023. In addition, the e-mail message itself offers a button to access the online bill payment tool.

### Brazil

- Consolidation of customer service through digital channels, which already handle 85% of all contacts, both through the website and other digital channels such as WhatsApp, e-mail, social networks, chatbot and IVR.
- The service channel through the "Minha Naturgy" website was voted best case in the Digital Relationship category of the Smart Award, was a finalist for the Inovativos award, which supports and encourages companies in the Digital Innovation Movement in Brazil, and came second in the Digital Relationship Transformation category of The Customer Summit award.
- Thanks to an agreement with the Spanish Post Office, there are now 30 more customer service points offering, among other services, duplicate gas bills, debt queries and gas contracting. The aim of the initiative is to take advantage of the reach of the Post Office branches to extend the service and offer more convenience to the population.
- New bill payment services are made available to customers, such as payment in instalments and the possibility of requesting this service through the different digital channels that the company makes available to customers. As a result of this initiative, supply cut-offs due to unpaid debts have been reduced by 30%.



### Chile

- Implementation of various digital and automated services to improve customer service, such as online self-management, which allows automatic negotiation of debt payment plans via the Metrogas website, or the automation of complaint management processes and the permanent digitalisation of information sent to customers, such as electronic invoices.

### Mexico

- The company has worked to unify and standardise the systems and processes of the customer service channels, offering customers the same information, whether they are attended in person, by telephone or through digital channels.
- Systems have been implemented for the global visualisation of the customer journey, from request to start-up, with access to all the areas involved, allowing all the agents involved to be aligned and to provide quick, timely and efficient responses.

### Panama

- Implementation of a significant improvement in the IVR in response to suggestions made by customers, partners and the regulator. Following this improvement, customers can choose to listen to information related to the sectors affected by incidents in the electricity service or continue with other procedures related to their supply.
- Incorporation of new functionalities in the Naturgy Panama Customers application that allow customers to manage various aspects of the supply themselves.
- Opening of 44 new centres in the main districts of the concession area. All centres are expected to open between March and June 2024, benefiting more than 165,000 customers.

## Customer service in the distribution network business in Spain

The main initiatives relating to customer service developed in 2023 in the field of gas and electricity distributors of the Naturgy Group in Spain were as follows:

### Gas distribution networks

- Digitalisation project of the Periodic Inspection process, the one with the largest volume. It focuses on improving customer self-management and increasing service hours by automating calls with a Virtual Assistant and implementing a Chat Bot operating 24/7.
- Review of the management model to improve first contact resolution and consequently the customer experience, modifying call centre operations.
- Launch of a transversal CeX project involving all areas of the business to create synergies in favour of customer service, with digitalisation and transformation of processes as the main pillar.
- Redefinition of the follow-up model for customer complaints to reduce resolution times and give them an end-to-end perspective in the management of requests.
- Plan to raise awareness of the telephone service, by adapting the vocabulary and the service model, which allows us to empathise with the situation of our customers.
- Increased autonomy of the complaints management team to avoid referrals to third parties and improve processing times.

### Electricity distribution networks

- Addition of new services and improvements to existing ones in the new private area in the digital services platform within the user relationship digitalisation initiative.
- Implementation of ININ (new contact centre tool: Interactive Intelligence), which will help work on improving FCR (First Contact Resolution) and NPS (Net Promoter Score) and further develop quality audits.

- Service in English.
- Simultaneous telephone and e-mail service.
- Evolution of the complaints management model through the review and optimisation of the catalogue of standard responses, the implementation of a new root cause tree and the digitalisation and robotisation of the complaints process and the automatic closure of service requests.

## Management of complaints

### Complaints management by business and country

[2-25]

	<b>2023</b>			
	<b>Total complaints received in the year</b>	<b>No. of claims in portfolio</b>	<b>No. of complaints received /No. of contacts (%)</b>	<b>Mean Time to Resolve MTTR (days)</b>
Gas Distrib. Spain	336,496	8,629	4.3	10.0
Elec. Distrib. Spain	242,730	7,888	16.1	14.0
Commercialisation Spain	697,177	3,840	4.0	(1)
Elec. Distrib. Argentina	34,892	552	13.9	3.0
Gas Distrib. Argentina	32,198	529	2.6	11.0
Brazil	52,321	153	2.8	4.0
Chile	16,574	390	2.3	4.4
Mexico	182,549	1,082	13.5	4.0
Panama	51,837	523	1.2	9.0

(1) TMR retail: 11.2 and customised MTTR: 36.6.

In 2023, a campaign to resolve very old and complex complaints was carried out in the personalised segment of the Commercialisation Spain business, which explains the figure of 36.6 days.

	<b>2022</b>			
	<b>Total complaints received in the year</b>	<b>No. of claims in portfolio</b>	<b>No. of complaints received /No. of contacts (%)</b>	<b>Mean Time to Resolve MTTR (days)</b>
Gas Distrib. Spain	302,144	16,597	4.2	11.0
Elec. Distrib. Spain	341,636	16,445	25.6	32.6
Commercialisation Spain	1,119,079	54,007	6.1	13.5
Elec. Distrib. Argentina	22,748	81	0.4	16.4
Brazil	60,647	681	4.2	3.2
Chile	10,993	149	1.7	3.4
Mexico	210,074	8,189	5.3	6.0
Panama	37,184	10,548	5.0	9.6

The most significant variations in claims and TMR in 2023 occur in electricity marketing and distribution in Spain due to the energy price situation in 2022, which generated more contract modification operations and, as a consequence, an increase in claims. In addition, in 2022, there was also an IT problem that prevented Naturgy from billing and contracting for some weeks.

## 4. Quality and customer satisfaction

[2-25] and [416-1]

Naturgy has placed the customer at the centre of its business model, as a key factor for the sustainability of the company, for which achieving a satisfactory level of quality, safety and reliability of the services provided is essential. Thus, all the initiatives undertaken by Naturgy to promote and improve customer relations and customer experience are aimed at meeting the most demanding industry standards and the regulatory requirements of the countries in which it operates, both in the services provided and in the management of electricity and gas networks.

Naturgy has a quality management system certified by TÜV Rheinland and AENOR, under the ISO 9001 standard, which covers quality management and ensures that processes comply with a standard of recognised prestige, both in the marketing of services and in the management of gas and electricity distribution networks.

This fundamental commitment to quality not only guides our leadership vision, but also reflects our responsibility to customers, employees, business partners and society as a whole. This certification is a testament to the high quality standards that our company strives to maintain and continually exceed.

Finally, Naturgy carries out continuous inspection and assessment of all its working methods and facilities, ensuring continuous energy supply. Thanks to the automation and digitalisation of the network, the quality and service indicators that guarantee security of supply have been improved.

### Quality of customer service

Naturgy has implemented different methods to ensure, measure and assess the quality of the services provided to customers, both internally (quality assurance) and externally, by measuring the perception of customer satisfaction with the services. This allows the company to gather their opinion in order to evaluate quality standards, discover opportunities for improvement and identify their needs and expectations.

#### Measuring customer satisfaction

The satisfaction of Naturgy's customers with the services provided is measured using two methodologies, which are applied in the different businesses and countries depending on the need:

- **Contact point or transactional model:** the objective is to know the perception of Naturgy's customer in the interactions (contact points) of the main processes of its activity. This voice survey is sent to customers involved in a process (customer service, sales, store, website) to monitor the main quantitative and qualitative indicators of their experience, and together with the analysis of the texts of customer communications, take initiatives to analyse and reprocess surveys with low ratings.
- **Positioning or relational model:** the aim is to know the assessment of Naturgy's customers and the competition, providing an overall assessment of the positioning or perception of the market. The satisfaction survey is aimed at customers and non-customers, whether or not they have had been in contact recently, which enables us to contextualise the results by incorporating competitor insights. It is based on quarterly tracking with weekly survey distribution for the retail segment and semi-annual survey for the industrial segment.

The main indicators to be evaluated in the different studies are the NPS (Net Promoter Score) index, which assesses the degree to which customers would recommend Naturgy, and the satisfaction index, which assesses the overall satisfaction of customers with the company. Detailed NPS results are available in the 'Customer experience' section of this chapter.

<b>Global satisfaction with service quality (on a scale of 0-10)</b>	<b>2023</b>	<b>2022</b>
Spain (retail)	7.0	7.2
Spain (personalised)	8.0	7.2
Argentina (gas)	9.2	8.7
Brazil	8.0	8.2
Chile (gas) <sup>(1)</sup>	6.0	5.3
Mexico	8.3	n.d.
Panama	7.0	8.2
<b>Total</b>	<b>8.0</b>	<b>7.6</b>

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

### Service quality assurance

Naturgy has different tools or systematics that support the quality assurance system of the processes in the provision of services to customers.

- IT systems where processes and activities are supported, which promote the homogeneity of actions, mitigate errors, favour traceability and control the provision of services.
- Documented information (procedures) associated with the processes and operating manuals of the different operations to be carried out that enable knowledge management and homogeneity of the service, available on different platforms depending on the process or activity to be developed.
- Training for the development of the different processes or activities, both for our own staff and for collaborating companies, which encourages the transfer of knowledge and the homogeneity of operations.
- Quality indicators of the processes that evaluate the degree of compliance with the established parameters, and which, if necessary, allow preventive or corrective actions to be taken.
- Quality controls for different processes or activities, such as mystery shoppers, listening to customer service and sales recordings, service quality inspections, etc.

All these quality assurance tools or systems are focused on promoting Naturgy's commitment to continuous improvement as an essential element of customer service quality.

### Quality and reliability of supply in distribution networks

Another of Naturgy's maxims is to achieve a satisfactory level of quality, safety and reliability of supply in electricity and gas networks, through the maintenance of the facilities and in order to comply with the most demanding standards of the industry and with the regulatory requirements of the countries in which it operates.

To this end, Naturgy carries out a series of inspection and assessment actions with the help of working methods included in its procedures and also through collaboration with contractor companies. Accordingly, for the maintenance plan for each type of facility it designs and includes the necessary prevention and mitigation measures that provide a secure and continuous supply.

In recent years, the company has achieved an appreciable improvement in the main quality and service indicators thanks to preventive maintenance processes, increased automation and the digitalisation of the network. 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.

Furthermore, Naturgy partakes in several R&D&I projects for storage of energy in batteries, the digitalisation of the grid, the application of drones in the maintenance of facilities using artificial intelligence and the implementation of advanced analytical models in order to define the actions that encompass the predictive maintenance tasks of the main grid equipment.

In both Spain and Panama, the percentage of energy supplied with smart grid technology exceeds 99%. Details of this indicator are available in the "Annexes, Customer Experience" section of this report.

## Continuity of electricity supply

[IF-EU-550a.2]

	Spain		Argentina		Panama <sup>1</sup>	
	2023	2022	2023	2022	2023	2022
ICEIT: Installed capacity equivalent interrupt time (hours)	0.51	0.59	7.30	n.d.	51.36	38.37
SAIFI: Frequency of electrical power cuts (no. of interruptions by customer)	1.14	1.17	6.50	n.d.	27.11	19.31
SAIDI: Average duration of electrical power cuts (hours)	1.24	1.22	10.70	n.d.	74.16	54.40
ASIFI: No. of equivalent interruptions per installed capacity	0.49	0.82	4.70	n.d.	27.81	19.59
CAIDI: Average customer outage duration (minutes) <sup>[IF-EU-550a.2]</sup>	60.0	62.4	120.0	n.d.	163.8	169.2

<sup>1</sup> SAIDI Panama data for 2022 is restated due to an error in the information reported.

The main reasons for the improvement in the continuity of supply in Spain compared to 2022 are the decrease in the number of fires that occurred in the summer of 2022 in Galicia and the decrease in the number of storms at the end of the year compared to the last months of 2022. A decrease in medium-voltage incidents is also noticeable due to the renovation of the installations carried out during 2023.

## Fraud and impact on quality of supply

Naturgy's commitment to offer affordable energy also includes actions to put an end to energy fraud, which, beyond the economic impact, entails a series of damages for end users. These include:

- Reduced tax collection.
- Higher energy costs for end users.
- Unfair competition between user companies.
- Risk for public safety from illegal connections.
- Discontinuities in supply due to network overload caused by illegal connections.

Among the investigation and anti-fraud actions carried out by Naturgy in Spain, in collaboration with the security forces and corps during 2023, 307 anti-fraud actions for illegal connections in occupied dwellings, which involved the suspension of 733 connections are worth mentioning. Likewise, the number of interventions carried out for electricity fraud in illegal cannabis plantations (indoor) continues to increase year after year.

It is relevant to mention the situation in the area called Cañada Real (Madrid, Spain), where the company has been working since 2021 in coordination with the Commissioner of Cañada Real, law enforcement 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 during last year.

## 08. Commitment and talent

### Naturgy's contribution to the SDG



Naturgy upholds a firm commitment to people and their development, promoting their leading role at the centre of decisions based on the company's strategy, purpose and value proposition. The strategy of boosting "360° Commitment" evolves and transcends towards the Group's culture and professional experience, where well-being and sustainability are central concepts, leveraged by inclusive leadership, flexible models and environments for connecting talent and continuous learning, as promoters of motivation, recognition and transformation in Naturgy.

In this model, well-being is conceived as the framework and support for the strategy through a commitment to safety, physical, mental and emotional health, and the deployment of training in the areas of well-being based on the vision of the recently launched School of Happiness and the promotion of self-aware and healthy leadership.

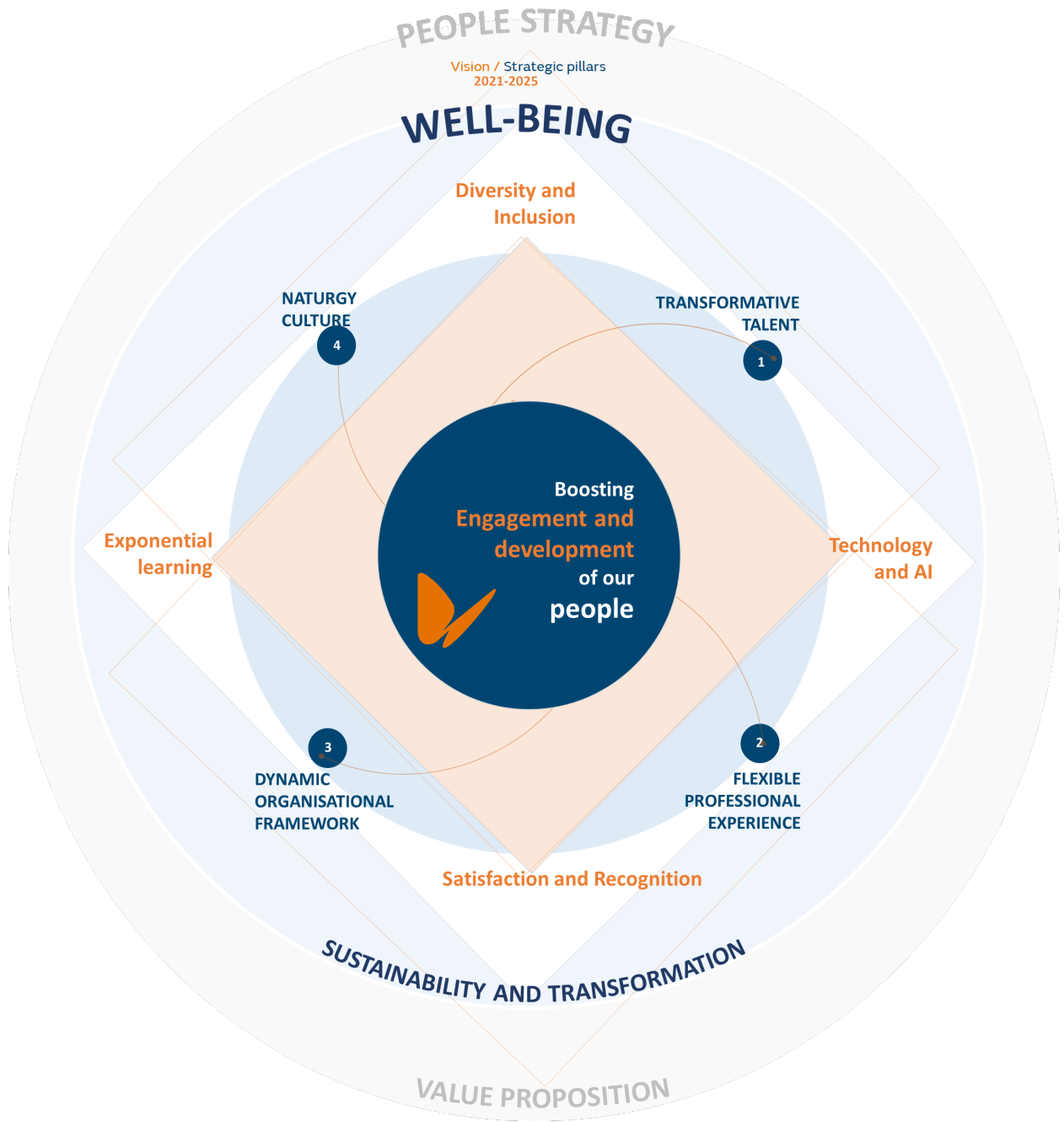
Through a wide range of benefits and flexibility measures, the company adapts to the diversity that exists in the organisation, facilitating work-life balance and encouraging professional development and balance. In this regard, Naturgy's flexible remuneration model stands out as a benchmark in Spain, due to its scope and diversity of coverage.

Since the origin of the 360° Commitment strategy, diversity and inclusion have been strategic pillars for the company's transformation and sustainability schemes. Naturgy wants to be recognised as a diverse company in terms of gender, age and skills, and to this end has set medium and long-term objectives that seek to accelerate, for example, the presence of women in positions of responsibility. The company is ahead of the energy sector average and aims to have 40% of senior positions filled by female talent by 2025.

In Naturgy, the professional experience is evolving thanks to continuous listening, measurement and involvement of people to improve initiatives and processes. A global model of feedback and measurement of satisfaction and commitment has been designed, integrating technology that provides online, global and segmented information on the perception of the different groups present in Naturgy, to advance with greater assertiveness in the improvement and design of new experiences in the company.

The Group's value proposition is also permeable to the environment in which it operates, generating professional challenges and opportunities in a globally strategic sector with broad future prospects, in line with the company's strategic plan and the challenges of the energy transition. In this regard, the company continues to incorporate diverse talent through programmes such as Flex & Lead, to add new profiles marked by agility, flexibility and collaboration, with digital skills and a data-oriented mindset.

Also with a focus on sustainability, Naturgy deploys upskilling and reskilling programmes through the Corporate University, giving a strong boost to the digital profile of Naturgy talent, with the conviction that the development of people's skills is a driver of competitiveness, success and business sustainability in the face of current technological challenges and the irruption of AI.





## 1. Commitment and talent in 2023 at Naturgy

### Evolution and results

#### ▪ Interest in people

	<b>2023</b>	<b>2022</b>
Number of employees at 31/12 <sup>(1)</sup>	6,883	6,982
Men/Women (%)	66/34	67/33
Women in executive positions <sup>(2)</sup> (%)	26.2	26.2
Staff under 30 years of age (%)	5.9	4.9
Personnel costs (million euro)	580	547
Annual investment in training (million euro)	4.7	3.8
Promoter employees (%)	49	24
Employees in collective bargaining agreement (%)	67.8	69.0

<sup>(1)</sup> Consolidated staff 2023 Group: 7,010 = 6,883 managed staff + 148 people in Spain from companies consolidated by the equity method - 21 people from coal-fired power stations.

<sup>(2)</sup> The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

#### ▪ Health and safety

	<b>2023</b>			<b>2022</b>		
	Total	Men	Women	Total	Men	Women
No. of lost time accidents (No. of employees)	9	7	2	8	7	1
Days lost due to lost time accidents	383	348	35	392	391	1
Mortality rate	0	0	0	0	0	0
Lost time accidents frequency rate	0.13	0	0	0.12	0.15	0.04
Lost time accidents severity rate	5.62	7.71	1.52	5.66	8.00	0.00

## Highlights of the year

During 2023, the main achievements in the field of Commitment and talent in Naturgy have been:

- Opening of the School of Happiness within the Corporate University, through which a training experience and connection with the main trends, tools, experiences and practices in the field of well-being is provided.
- The end of the 360° Assessment cycle, a key process in the company's management and executive talent management. Following the results of this multi-source and multi-dimensional assessment, a series of feedback and development actions have been deployed during the year in support of the ADGs (Annual Development Goals) that each participant has defined for improvement.
- Signing of Naturgy's Equality Plan 2023-2027 and signing of the Protocol on sexual and/or gender-based harassment, with adaptation to Law 2/2023 of 20 February.
- Carrying out training hours on diversity, communication strategies and inclusive treatment for LGBTI+ people. Also training in global work-life balance management for managers, and training on prejudices, stereotypes and unconscious biases in the workplace.
- Approval of a new health and safety plan 2024-2025 by the Management Committee in October 2023, which will contribute to the achievement of the health and safety commitments and targets assumed by the Board of Directors.
- Carrying out the psychosocial assessment process at a global level, which takes into account new emerging risks and forms of work organisation (teleworking, digitalisation of processes, cyberbullying, diversity, equality, gender perspective, etc.) adapted to the reality of the company and changes in the environment with the aim of improving health and well-being within the organisation.
- Implementation of a new analytical tool for the periodic monitoring and control of the activity of digital identities issued by the Telematic Management Support Office in Spain (OSGT), either for the representation of Naturgy before the different Public Administrations or the issuance of financial transactions with certain banks.

## 2. Interest in people

### Summary of awards obtained in 2023

#### Seals and certifications

##### Global FRC Certification

Naturgy was the first company in the world to obtain Global FRC Certification in 2013, in recognition of its achievements in balancing the personal and professional lives of its employees, enabling their human and social development, through measures deployed in seven countries.



##### Top Employer Spain 2023 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.



##### Diversity Leading Company

Naturgy has obtained this seal awarded by Equipos & Talento, by virtue of its adhesion and active participation in the Empowering Women's Talent programme for the development of female talent and the Diversity Leading Company programme, which verifies and recognises a business management committed to diversity and inclusion.



##### 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.



##### Top Wellbeing Company Seal 2023

Seal awarded to the TOP30 Companies in Spain with best practices in Occupational Health and Corporate Well-being.



##### Healthy Company

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



#### Rankings y monitors

##### Top 50 Diversity Company

Once again Naturgy has obtained an outstanding position within the Top 50 Diversity Company, which recognises the best practices in Diversity and Inclusion in companies where DEI policies become a real asset and a strategic axis.



##### MERCO TALENTO Ranking

In 2023, the 17th edition of Merco Talento Spain was published, a monitor of the 100 companies with the best capacity to attract and retain talent in the country. In this edition, Naturgy is once again positioned among the top three companies in the energy, gas and water sector. It also ranked fifth in terms of number of employees (between 3,001 and 6,000) and 34th in the overall assessment.



**Actualidad Económica Ranking**

Annual ranking of the 100 best companies to work for in Spain, in which Naturgy has climbed 31 positions in 2023 to 32nd position, standing out for its initiatives in Talent Management, Training, Remuneration and Compensation, among other areas with a focus on sustainability.



**Universum Ranking**

Naturgy is positioned in this ranking within the top 100 of the most attractive companies for students in Spain. In particular, in 2023 it has placed 50th in the ranking of engineering students.



**Awards**

**GLOBAL CCU Awards**

The Corporate University (CU) has been the only Spanish entity recognised in the awards of the Global Council of Corporate Universities (GlobalCCU), the global network of corporate university professionals. Specifically, it has received the Gold award, the highest distinction, in the category of Social Impact and Climate Change, which means being at the global forefront of training in the fields of sustainability and innovation.



**El Periódico de la Energía Awards**

The diverse talent recruitment programme, Flex & Lead, has been recognised as the “Best talent initiative in the energy sector” at the 2nd edition of the El Periódico de la Energía Awards for its impact on gender and generational balance within the company.



**Wellbeing Leadership Awards**

The Wellbeing Leadership healthy leadership programme, driven by the Corporate University and the company’s Safety, Health and Prevention team, won first place in the Top Wellbeing Business Plan category of the Top 30 WELLBEING COMPANY in 2023. The award identifies, values and recognises initiatives that contribute to the transformation of our organisation, generating a positive impact on the business through the management of 360 well-being policies.



**Diversity and Inclusion Awards**

The programme to promote female talent “Community of STEM women”, which arose thanks to the training deployment of Naturgy’s Corporate University in the field of Data, won second place in the gender category of the Diversity and Inclusion Awards, for promoting the prominence of female talent in key projects in the field of Data and technology. The award recognises our commitment to creating a more inclusive professional environment in which diversity and inclusion policies are part of our value proposition for people.



## Naturgy culture

The Naturgy culture frames the processes of the people model from consistency, global approach and leadership, giving meaning and projection to its organisational transformation.

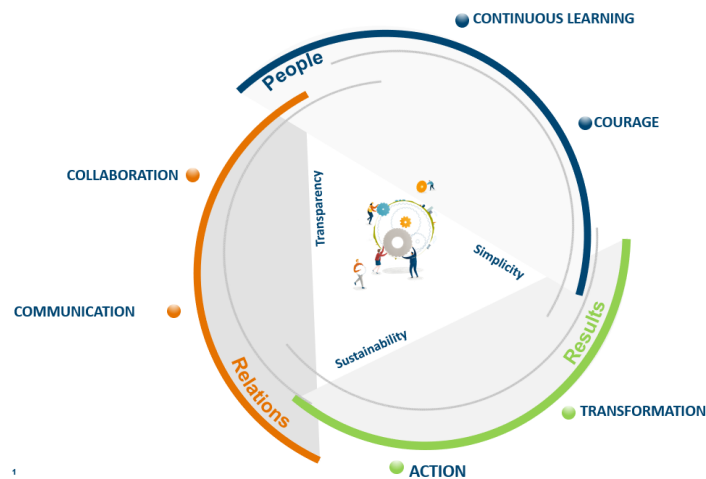
With the strategic vision of a sustainable company, Naturgy continues to focus on the evolution of its spaces and work models, promoting a transformational culture, through three key concepts:



Naturgy, in its commitment to people’s well-being, offers stable and quality employment, with an attractive and solid professional career. The profile of the company’s professionals, in all countries and businesses, is that of a person with an interest in continuous learning, with rigour and professionalism, an innovative spirit and a commitment to the company’s goals.

## Competence model

In line with the people strategy, culture and leadership at Naturgy play a strategic role in driving the company’s transformation project, through the global and transversal adoption of six competencies: (1) continuous learning, (2) courage, (3) communication, (4) collaboration, (5) action and (6) transformation; which make up Naturgy’s Leadership Model, making it possible to gain in agility and competitiveness, acting with transparency, excellence and sustainability, in tune with its business challenges, values and cultural keys.



## Diversity and equality

[3-3]

(Diversity and equality)

It is essential for Naturgy to promote diversity and equal opportunities among all employees who are part of the company. An environment of respect, listening and permanent dialogue is promoted in order to achieve the goals set in terms of gender and inclusion of people with disabilities. The promotion of this environment extends to suppliers and collaborating companies.

The company's commitment is reflected in its global vision, in the sustainability and people strategy, as well as in the Corporate Responsibility Policy, the Code of Ethics, Protocol for the Prevention of Workplace Harassment and the Protocol for the Prevention of Sexual and Gender-based Harassment.

The signing of the Naturgy Equality Plan, on 8 February 2023, unanimously identifies the strengths of the company in this area and establishes a catalogue of specific measures and actions to maintain, correct and prevent deviations in gender equality.

Similarly, the signing of the Protocol on Sexual Harassment and/or Gender-based Harassment with employee representatives reinforces the company's commitment to zero tolerance of harassment situations, as well as encouraging greater involvement of the social partners in these matters.

### Equality Plan

Naturgy's Equality Plan is part of the company's commitment and its commitment to the development of labour relations based on equal treatment and opportunities between women and men and non-discrimination.

Unanimously agreed within the Negotiating Committee, it is an effective tool for safeguarding equality between women and men. Equal treatment and opportunities in employment and occupation is a fundamental principle of labour relations and people management in the company, this being the main objective of the Naturgy Group's Equality Plan.

Naturgy declares its firm commitment to ensure equal treatment in all areas and for all purposes, not allowing discrimination on the grounds of gender or otherwise and promoting working conditions that respect equality. Likewise, it is committed to the establishment and development of policies that promote equal treatment, guaranteeing that, with equal aptitudes, knowledge and qualifications, all workers can carry out their job without gender representing an obstacle or a criterion for differentiation for the purposes of pay, promotion and professional training.

The diagnosis of the different companies, carried out within the Negotiating Committee, has made it possible to define a series of objectives and measures for action included in the Equality Plan. Likewise, actions have been defined to monitor them, so that it can be a tool to ensure effective equality between men and women.

Applicable to all workers who make up the staff of the Naturgy Group, including persons who, where appropriate, have been assigned by Temporary Employment Agencies during the periods of service provision.

As specific objectives of the Equality Plan, we highlight:

- Communication and awareness-raising: Promote an inclusive culture free of bias, where equal opportunities are a transversal reality throughout the company and where there are no stereotypes or preconceived ideas that may hinder the effectiveness of this principle.
- Selection and recruitment: Attract the best and most diverse talent (focusing on the incorporation of women, especially in positions with more technical profiles) using criteria of capacity, competence, merit and equal opportunities that guarantee objectivity and transparency in all selection and recruitment processes.
- Occupational classification and under-representation of women: Ensure that the job classification system in force at any given time respects the principle of equal opportunities.
- Training: Develop the most under-represented talent, through specific technical and leadership training, to achieve a pipeline of people with potential access to senior positions.
- Promotion and development: Accelerate gender equality at all levels, especially at those levels where women are under-represented, through internal talent promotion and management. Prioritising where possible women to fill positions in male-dominated areas.
- Co-responsible exercise of reconciliation rights: Facilitating the co-responsible exercise of the rights of employees to reconcile family, work and personal life in order to achieve an appropriate balance between work, personal needs and professional development within the Company.

- Remuneration: Ensure equal pay for women and men for work of equal value by maintaining compensation systems that ensure pay transparency, promote objectivity and fairness, reward achievement and value performance.
- Prevention of sexual and/or gender-based harassment: Ensure a safe and healthy working environment, free from violence and harassment.
- Gender-based violence: Disseminate, implement and improve the legally established rights of female victims of gender-based violence, thus further contributing to their protection.
- Occupational health with a gender perspective: Integrate a gender perspective into the regular functioning of the prevention system.

The definition of specific measures for the achievement of all these objectives and the constitution of the Equality Plan Monitoring Committee, allows the company to continue advancing jointly in the continuous improvement and management of equal treatment and opportunities.

### Protocols

Respect and dignity are the starting point for relations with and between Naturgy employees. These relationships are based on the principles of trust, respect and equal opportunities.

Naturgy expressly rejects and prohibits any manifestation of physical, psychological, moral, sexual or gender-based harassment or abuse of authority. It also expressly rejects and prohibits any other conduct that may create an intimidating, offensive or hostile working environment for individuals.

The purpose of the Protocol on Sexual and/or Gender-based Harassment is to implement a procedure for prevention and action against sexual harassment, agreed in the negotiating committee of the Equality Plan, with the intention of reinforcing a mechanism that establishes how to act in a comprehensive and effective manner in the face of any behaviour that may constitute sexual and/or gender-based harassment, introducing the necessary measures to prevent, identify and combat sexual harassment, ensuring that the procedure for action against such situations guarantees the rights of the victims at all times.

Naturgy's protocol against sexual harassment establishes preventive actions to avoid these situations. These include:

- Communication to all employees of the existence of this protocol and its content, information on the values and principles to be respected, and unacceptable conduct.
- Training for the entire staff and, in particular, for managers with people in their charge.
- Collaboration of all staff, establishing the obligation to use the channels established in the Protocol in the event of any possible case of sexual harassment of which they are aware.
- Obligation and responsibility of all workers to establish and maintain relationships based on respect and dignity.

The Sexual Harassment Protocol also establishes the possibility that the investigation of any proceedings that may be initiated may be carried out by an Instructing Committee formed on a parity basis between the Company and Workers' Representatives, all of whom are members of the Equality Plan Monitoring Committee.

The Sexual Harassment Protocol also establishes a number of procedural safeguards:

- Anonymity of the whistleblower and protection of the identity of informants.
- Resolution of the process in the shortest possible time.
- Intervention by workers' representatives, if so requested.
- Impartiality of the process.
- Prohibition of reprisals.

## Commitment to equality and diversity

Diversity management is part of Naturgy's commitment to a sustainable business project, and one committed to investing in and promoting the diverse talent of the organisation and the people who make it up. The company's commitment is based on three main lines of action:

- Culture focused on diversity: through environments and teams where listening and dialogue enrich the work and the way of achieving the goals set.
- Alignment with talent strategy: in its talent strategy, Naturgy incorporates annual goals for the different professional profiles. In doing so, it reinforces its commitment to equal opportunities and development for all the company's professionals.
- Priority SDG 5 - Gender equality: Naturgy understands diversity as a guarantee of the future, sustainability and growth of the business project. The more diverse the people who make up the teams are, the better the performance and the more agile, flexible and innovative the business are in meeting business challenges and offering value solutions for customers and society.

In addition to progress in these areas, Naturgy's efforts in the field of diversity are materialised through specific initiatives in four areas: Gender, Generational, Disability, and Functional.

Naturgy's commitment to equality and diversity is reflected in the Sustainability Plan with a 2025 horizon, and is regularly monitored by the Sustainability Committee. Here we report progress in global female presence and promotion to managerial levels; geographic diversity, professional profiles and different skills. In addition to the Committee, these indicators and their evolution are reported in different monitors and certifications, such as the Dow Jones Sustainability Index and the Global Certification efr.

### ▪ Women in executive positions (%) <sup>(1)</sup>

[405-1]

	2023	2022
Argentina	0.0	0.0
Australia	0.0	0.0
Brazil	100.0	100.0
Chile	0.0	0.0
Costa Rica	0.0	0.0
Spain <sup>(1)</sup>	26.4	26.1
USA	0.0	0.0
France	0.0	0.0
Ireland	0.0	0.0
Israel	0.0	0.0
Italy	0.0	0.0
Luxembourg	0.0	0.0
Mexico	0.0	0.0
Netherlands	0.0	0.0
Panama	0.0	0.0
Portugal	0.0	0.0
Puerto Rico	0.0	0.0
Dominican Republic	0.0	0.0
<b>Total</b>	<b>26.2</b>	<b>26.2</b>

<sup>(1)</sup> The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.



## ▪ Presence of women at different levels of responsibility (%)

	2023	2022
Women in executive and middle management positions	33.3	30.9
Women in executives positions <sup>(1)</sup>	26.2	26.2
Women in middle management	34.2	31.5
Women in business units	33.2	32.0
Women in STEM positions in business units	37.5	36.1

<sup>(1)</sup> The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

## ▪ Employees with disabilities

[405-1]

	2023		2022	
	Number	(%)	Number	(%)
Argentina	5	0.6	5	0.5
Australia	0	0.0	0	0.0
Brazil	9	2.6	11	3.0
Chile	2	0.4	2	0.3
Costa Rica	0	0.0	0	0.0
Spain	74	1.9	64	1.6
USA	0	0.0	0	0.0
France	0	0.0	0	0.0
Ireland	0	0.0	0	0.0
Israel	0	0.0	0	0.0
Italy	0	0.0	0	0.0
Luxembourg	0	0.0	0	0.0
Mexico	0	0.0	0	0.0
Netherlands	0	0.0	0	0.0
Panama	7	2.4	7	2.4
Portugal	0	0.0	0	0.0
Puerto Rico	0	0.0	0	0.0
Dominican Republic	1	1.4	0	0.0

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

Data at the end of 2023 (98), the figure published in the Annual Accounts (99) corresponds to the annual average.

## Experience of Naturgy people

### Flexibility and work-life balance

Naturgy is committed to the work-life balance of its employees. Flexibility and work-life balance are fundamental pillars of staff well-being and organisational success. Improved opportunities for work-life balance also lead to greater commitment on the part of employees.

The Naturgy Collective Bargaining Agreement 2021-2024 includes Naturgy's commitment to work-life balance through the implementation of measures that significantly promote the aforementioned work-life balance, as well as co-responsibility between men and women. These measures are also aimed at achieving real and effective equality between men and women.

The main measures for reconciling work-life balance and promoting co-responsibility include the following:

- Flexibility in start and finish times, as well as in the meal break period.
- Continuous working day from June to September (four months) and every Friday of the year.

- More extensive paid leave due to marriage, illness and death of family members.
- Paid leave not covered by legislation such as separation or divorce, marriage of children or leave for expectant mothers from the 38th week of pregnancy.
- Possibility of taking paid leave not necessarily on consecutive days.
- Reductions in working hours for personal reasons in cases other than those provided for by law.
- Possibility of accumulating breast-feeding periods.
- Adaptation of the weekly working day by one hour, as a measure to promote conciliation.
- Teleworking for one or two days a week, for those workers who carry out functions which by their nature can be performed remotely.
- Possibility of adapted teleworking for positions which, due to the nature of their functions, cannot combine two days of teleworking.
- Flexibility for the adaptation of the working week of up to two hours for those in shared custody situations.

#### Comparison of employees entitled to childbirth and childcare leave and those who took this entitlement

	2023		2022	
	Men	Women	Men	Women
With right	108	60	130	76
That took it	108	59	100	72

NB: In chapter Annexes, section Commitment and talent, tables relating to childbirth and childcare leave are reported.

#### Global FRC Certification

Our FRC model consolidates Naturgy's vision of work-life balance, co-responsibility, well-being and diversity as the cornerstones of our value proposition and the people strategy 360° Commitment.

The model is managed through benefits, flexibility, well-being, health and professional development measures that are adapted to the diversity of our people, according to their situation and time of life, in order to promote a balance between professional and personal life.

In this context, work-life balance at Naturgy is a commitment to co-responsibility and equal opportunities. It is to promote a pluralistic, inclusive and balanced culture. It is the constant listening to proposals of improvement actions and the recognition of our teams, as levers of well-being and also of motivation. It is acting globally in tune locally as an FRC, generating a transformative professional experience and contributing to a more egalitarian and sustainable society.

#### Pioneering and global

After a decade of managing the FRC model in Spain, Argentina, Brazil, Costa Rica, Dominican Republic, Mexico and Panama, Naturgy has been recognised for its pioneering vision by being the first company in the world to obtain the Global FRC seal (Family Responsible Company), certified by AENOR (according to Standard 1000/23) and awarded by the Masfamilia Foundation, accrediting policies, indicators, measures and benefits in five areas: quality in employment, time and space flexibility, support for employees' families, support for the personal and professional environment and equal opportunities.

This award was presented at the first global meeting of the FRC community, held in Madrid on 23 March (International Work-Life Balance Day). Organised by the Masfamilia Foundation in collaboration with the TOP25 certified companies, other organisations were also highlighted for their contribution and good practices in terms of work-life balance and well-being.

## Management 2023

In 2023, the management of the model continued to be deployed through 365 local measures, distributed in different countries where the company operates, together with 20 global measures, all of them integrated into five action groups and defined by the Global FRC Standard 1000/23 and certified by AENOR.

### Employee Care Service (SAE)

The service, implemented in Spain and Latin America, celebrated its twelfth anniversary in 2023, and has established itself as the single, centralised point of contact for employees with the organisation and the backbone of the communication campaigns or actions launched by the different People and Organisation teams.

The SAE has a multi-channel approach, thanks to its online platform (saeonline), which provides personalised attention and is accessible from any device in order to promote and facilitate its use. From the point of view of its functional scope, it covers both the core processes of the People and Organisation function (personnel and payroll administration, HR, prevention, health, training, talent, culture, organisation, media, medical services, security, etc.) and other transversal processes (customer service, Naturgy Foundation, internal communication, etc.) with the aim of accompanying the People Oriented strategy defined by the People and Organisation Management (P&O).

In 2023, it has continued to increase and develop the integrated service offering in the channel portfolio. If until now the SAE had a strategic role in improving the experience of our employees, the service is a clear example of how a change in the analytical model's approach can become the real lever of transformation.

In coordination with the VIP & Premium Customer Service unit, a transformation and simplification of the "My Employee Channel" (employees as customers) service catalogue has been undertaken, also restructuring the external teams of resolution groups and monitoring and integrating all phases of resolution with an employee-customer vision. The results have been excellent in terms of reduced average operating times (6.97 working days in 2023, almost 5 days less on average than in 2022) and a significant improvement in NPS (58.86 %, nine points higher than in the previous year). The results are even more convincing and encouraging if we refer to the "Family & Friends" service, where the NPS stands at 76.61%. During 2023 more than 2,000 customers in our employees' environment channelled their customer needs through an internal employee, demonstrating that Naturgy employees have a tangible and growing commitment to the external sponsorship and promotion of our products and services.

Likewise, following the digitalisation strategy of the People and Organisation function, the service itself has evolved the analytical monitoring scheme of indicators and service level agreements through a Power Bi Service online tool on a weekly and periodic basis. In turn, it has been extended to the entire coordinated action network of resolution groups in the different businesses/countries, promoting the monitoring of all processes and the detection of areas for improvement.

Currently, SAE's Net Promoter Score (NPS) is 56.34%, more than 60,505 requests from employees have been answered and 93.12% of them have been resolved within the deadline.

### Internal communication

In line with Naturgy's commitment to information, consultation and participation, any change that affects or which could affect labour relations is passed on to the social agents in full compliance with the deadlines established in prevailing legislation. Likewise, Naturgy has permanent open channels for the resolution of doubts and the transfer of information, beyond the established formal channels.

During 2023, Naturgy's internal communication model strengthened its role as a fundamental lever of transparency and cohesion among all teams, while promoting organisational alignment, continuing the evolution of online actions and supports, accompanied by a complete programme of face-to-face-offline actions, also opting for roaming to facilitate the participation of teams in other geographies. In this respect, the more than 30 transversal face-to-face meetings held in 2023 in around ten Spanish cities, with the participation of more than 3,000 face-to-face participants, stand out.

During the year, around fifty meetings have been held between employees and the company's management, where those attending have received first-hand key messages from the company, having the opportunity to express their concerns and opinions at each level. These meetings have addressed current issues: energy prices, biomethane or the role of combined-cycle power stations in the Spanish energy system, as well as company results and AI in the energy sector.

Regarding the virtual media used, in February 2023 Naturgy launched the television channel NaturgyTV, publishing almost 200 videos with more than 50,000 views. The company has also bolstered its channels for communication with its employees: Naturgynews (Naturgy's digital newspaper), Naturgynet (corporate intranet), or Teams and its specific tool NaturgyTeams, deployed at the end of 2021 and which communicates in pop-up format information of special relevance at a simple click. Through this tool, actions such as "Flex & Connected" were implemented in 2023 to facilitate relations in the context of teleworking or the programme of informative actions associated with the company's 180th anniversary, celebrated this year.

In a complementary manner, some businesses have their own internal communication channels, where corporate messages and topics are reinforced from a local perspective.

All this has enabled the implementation of new programmes that promote progress in the company's strategic lines and cultural transformation, through the communication of organisational, business, sector and project milestones.

## Our team

At the end of the 2023 financial year, Naturgy's human team was located in: Europe, Asia, America and Oceania.

### ▪ Number of employees by country

	<b>2023</b>	<b>2022</b>
Argentina	880	954
Australia	34	26
Brazil	347	372
Chile	567	601
Costa Rica	16	19
Spain <sup>(1)</sup>	3,934	3,901
USA	10	4
France	2	3
Ireland	3	3
Israel	18	16
Italy	2	2
Luxembourg	1	1
Mexico	697	694
Netherlands	1	1
Panama	286	297
Portugal	13	13
Puerto Rico	2	3
Dominican Republic	70	72
<b>Total <sup>(2)</sup></b>	<b>6,883</b>	<b>6,982</b>

<sup>(1)</sup> Consolidated staff 2023 Spain: 4,061 = 3,934 managed staff + 148 people in Spain from companies consolidated by the equity method - 21 people from coal-fired power stations.

<sup>(2)</sup> Consolidated staff 2023 Group: 7,010 = 6,883 managed staff + 148 people in Spain from companies consolidated by the equity method - 21 people from coal-fired power stations.

▪ **Distribution of employees by age and country (%)**

[405-1]

	2023			2022		
	<30	30-50	>50	<30	30-50	>50
Argentina	3.2	50.5	46.4	3.7	49.2	47.2
Australia	5.9	79.4	14.7	7.7	80.8	11.5
Brazil	2.3	76.9	20.7	2.2	78.2	19.6
Chile	1.1	59.8	39.2	2.2	62.6	35.3
Costa Rica	12.5	62.5	25.0	15.8	52.6	31.6
Spain	6.8	65.1	28.1	5.2	70.7	24.1
USA	0.0	70.0	30.0	0.0	75.0	25.0
France	50.0	50.0	0.0	66.7	33.3	0.0
Ireland	0.0	33.3	66.7	0.0	33.3	66.7
Israel	11.1	72.2	16.7	25.0	62.5	12.5
Italy	0.0	100.0	0.0	0.0	100.0	0.0
Luxembourg	0.0	0.0	100.0	0.0	0.0	100.0
Mexico	8.3	77.3	14.3	6.1	80.5	13.4
Netherlands	0.0	100.0	0.0	100.0	0.0	0.0
Panama	9.8	70.6	19.6	10.4	67.7	21.9
Portugal	0.0	92.3	7.7	0.0	92.3	7.7
Puerto Rico	0.0	50.0	50.0	0.0	66.7	33.3
Dominican Republic	0.0	62.9	37.1	1.4	66.7	31.9
<b>Total</b>	<b>5.9</b>	<b>65.0</b>	<b>29.2</b>	<b>4.9</b>	<b>68.2</b>	<b>26.8</b>

▪ **Distribution of employees by country, gender and professional category (%)**  
 [405-1]

	<b>2023</b>							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	0.3	0.0	4.1	1.1	25.6	12.4	43.6	12.8
Australia	0.0	0.0	11.8	11.8	61.8	14.7	0.0	0.0
Brazil	0.0	0.9	5.8	3.5	37.8	26.5	17.3	8.4
Chile	0.4	0.0	4.6	1.8	39.0	16.9	24.3	13.1
Costa Rica	0.0	0.0	0.0	0.0	75.0	0.0	25.0	0.0
Spain	1.7	0.6	8.6	4.9	37.3	28.0	15.2	3.7
USA	0.0	0.0	50.0	10.0	30.0	10.0	0.0	0.0
France	0.0	0.0	50.0	0.0	50.0	0.0	0.0	0.0
Ireland	0.0	0.0	33.3	0.0	33.3	33.3	0.0	0.0
Israel	0.0	0.0	0.0	0.0	88.9	11.1	0.0	0.0
Italy	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Mexico	0.4	0.0	7.0	2.7	45.8	23.7	18.1	2.3
Netherlands	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Panama	0.3	0.0	7.7	4.5	37.1	28.7	16.1	5.6
Portugal	0.0	0.0	0.0	7.7	23.1	69.2	0.0	0.0
Puerto Rico	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0
Dominican Republic	0.0	0.0	0.0	0.0	24.3	18.6	54.3	2.9
<b>Total</b>	<b>1.1</b>	<b>0.4</b>	<b>7.3</b>	<b>3.8</b>	<b>37.0</b>	<b>24.4</b>	<b>20.2</b>	<b>5.8</b>

	<b>2022</b>							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	0.2	0.0	4.4	1.2	25.2	11.6	44.0	13.4
Australia	0.0	0.0	19.2	7.7	61.5	11.5	0.0	0.0
Brazil	0.0	0.8	5.4	3.5	36.8	26.9	17.7	8.9
Chile	0.3	0.0	4.5	0.8	36.4	16.3	27.8	13.8
Costa Rica	0.0	0.0	0.0	0.0	73.7	5.3	21.1	0.0
Spain	1.7	0.6	8.8	4.5	36.2	26.0	17.2	4.9
USA	0.0	0.0	75.0	25.0	0.0	0.0	0.0	0.0
France	0.0	0.0	33.3	0.0	33.3	33.3	0.0	0.0
Ireland	0.0	0.0	33.3	0.0	33.3	33.3	0.0	0.0
Israel	0.0	0.0	0.0	0.0	93.8	6.3	0.0	0.0
Italy	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Mexico	0.4	0.0	7.3	3.0	47.3	20.9	19.2	1.9
Netherlands	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Panama	0.3	0.0	8.1	4.0	38.7	27.3	16.8	4.7
Portugal	0.0	0.0	0.0	7.7	30.8	61.5	0.0	0.0
Puerto Rico	0.0	0.0	0.0	0.0	66.7	33.3	0.0	0.0
Dominican Republic	0.0	0.0	0.0	0.0	23.6	19.4	54.2	2.8
<b>Total</b>	<b>1.1</b>	<b>0.4</b>	<b>7.5</b>	<b>3.4</b>	<b>36.1</b>	<b>22.7</b>	<b>22.2</b>	<b>6.6</b>

**Working methods**

[2-7]

- **Breakdown of staff by contract type (%)**

	<b>2023</b>					
	Permanent contracts		Temporary contracts		Employees by non-guaranteed hours	
	Men	Women	Men	Women	Men	Women
Argentina	73.6	26.4	0.0	0.0	0.0	0.0
Australia	73.5	26.5	0.0	0.0	0.0	0.0
Brazil	60.8	39.2	0.0	0.0	0.0	0.0
Chile	68.3	31.7	0.0	0.0	0.0	0.0
Costa Rica	100.0	0.0	0.0	0.0	0.0	0.0
Spain	62.6	36.5	0.2	0.7	0.0	0.0
USA	80.0	20.0	0.0	0.0	0.0	0.0
France	100.0	0.0	0.0	0.0	0.0	0.0
Ireland	66.7	33.3	0.0	0.0	0.0	0.0
Israel	88.9	11.1	0.0	0.0	0.0	0.0
Italy	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	100.0	0.0	0.0	0.0	0.0
Mexico	54.1	17.8	17.2	10.9	0.0	0.0
Netherlands	0.0	100.0	0.0	0.0	0.0	0.0
Panama	61.2	38.8	0.0	0.0	0.0	0.0
Portugal	23.1	76.9	0.0	0.0	0.0	0.0
Puerto Rico	100.0	0.0	0.0	0.0	0.0	0.0
Dominican Rep.	78.6	21.4	0.0	0.0	0.0	0.0
<b>Total</b>	<b>63.8</b>	<b>32.8</b>	<b>1.9</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>

NB: The number and average number of contracts and their breakdowns (age, gender and professional category) are reported in the Annexes Chapter, section Commitment and talent.



**2022**

	Permanent contracts		Temporary contracts		Employees by non-guaranteed hours	
	Men	Women	Men	Women	Men	Women
Argentina	73.8	26.2	0.0	0.0	0.0	0.0
Australia	80.8	19.2	0.0	0.0	0.0	0.0
Brazil	59.9	40.1	0.0	0.0	0.0	0.0
Chile	69.1	30.9	0.0	0.0	0.0	0.0
Costa Rica	94.7	5.3	0.0	0.0	0.0	0.0
Spain	63.5	35.0	0.5	0.9	0.0	0.0
USA	75.0	25.0	0.0	0.0	0.0	0.0
France	66.7	33.3	0.0	0.0	0.0	0.0
Ireland	66.7	33.3	0.0	0.0	0.0	0.0
Israel	93.8	6.3	0.0	0.0	0.0	0.0
Italy	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	100.0	0.0	0.0	0.0	0.0
Mexico	56.9	18.0	17.3	7.8	0.0	0.0
Netherlands	0.0	100.0	0.0	0.0	0.0	0.0
Panama	64.0	36.0	0.0	0.0	0.0	0.0
Portugal	30.8	69.2	0.0	0.0	0.0	0.0
Puerto Rico	66.7	33.3	0.0	0.0	0.0	0.0
Dominican Rep.	77.8	22.2	0.0	0.0	0.0	0.0
<b>Total</b>	<b>64.9</b>	<b>31.8</b>	<b>2.0</b>	<b>1.3</b>	<b>0.0</b>	<b>0.0</b>

Naturgy is committed to promoting a safe and quality work environment. Consistent with this vision, 96.6% of the contracts are permanent, and only occasionally are temporary contracts used for “accumulation of tasks and work/service”. Similarly, 100% of Naturgy’s employees have full-time contracts.

## New employee hires and employee rotation

Consideration is given to:

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

### ▪ Rotation indices

	<b>2023</b>	<b>2022</b>
Rotation (%)	5.0	8.0
Voluntary rotation (%)	1.9	2.0

Rotation (%): total number of layoffs/average staff managed.

Rotation (%): total number of layoffs/average staff managed.

NB: The breakdown of rotations by gender, country and professional category is reported in chapter Annexes, section Commitment and talent.

## ▪ New employees hires

	2023	2022
Argentina	6	8
Australia	12	9
Brazil	8	16
Chile	19	25
Costa Rica	0	5
Spain	138	158
USA	4	1
France	0	3
Ireland	0	1
Israel	7	2
Italy	0	0
Luxembourg	0	0
Mexico	44	50
Netherlands	0	0
Panama	11	27
Portugal	0	0
Puerto Rico	0	0
Dominican Republic	0	0
<b>Total</b>	<b>249</b>	<b>305</b>

NB: The breakdown of new employee hires and vacant posts filled by internal applications are reported in chapter Annexes, section Commitment and talent.

## ▪ Number of dismissals by age and gender

	2023				2022			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Men	3	12	14	29	2	50	51	103
Women	3	12	7	22	2	22	10	34
<b>Total</b>	<b>6</b>	<b>24</b>	<b>21</b>	<b>51</b>	<b>4</b>	<b>72</b>	<b>61</b>	<b>137</b>

NB: The breakdown by gender and professional category is reported in chapter Annexes, section Commitment and talent.

## Labour relations

[2-30], [402-1], [403-7]

Labour relations in Naturgy are based on principles of fairness, safety and health and respect for all the people who make up the company, freedom of association, fundamental rights, workers' representatives and collective bargaining.

Naturgy fosters an environment in which workers participate actively, and to this end promotes multiple channels of communication with them and with workers' representatives as a substantial part of the corporate principles of action. The Naturgy Group's 3rd Collective Bargaining Agreement, signed on 14 October 2022, reinforces these channels, establishing and articulating different committees and forums for discussion to deal with the different aspects that have an impact on labour relations. The signing of this 3rd Agreement has also led to a substantial improvement in measures to reconcile work and family life and to make labour relations more flexible, with the establishment of measures to make working hours more flexible and the introduction of teleworking as examples.

The working conditions of staff excluded from the collective bargaining agreement are based on individual agreements reached with each employee and are set out in their individual contracts. In addition, there is a specific document on the company's intranet called "Compilation of conditions for excluded staff" which sets out the conditions common to the entire group.

In achieving health and safety goals, collaborative work across the organisation is essential to improve activities, processes and achieve optimal results. For this reason, the consultation and participation of employees is key in the regular health and safety meetings held in all areas of the company in order to establish, maintain and implement improvement processes.

The main issues formally discussed with the workers' representatives during 2023 are summarised as follows:

- Integrated health and safety plan
- Health and safety commitment.
- Analysis of accidents.
- Review of health and safety regulations.
- New Health and Safety Regulations.
- Meetings on labour measures and integrated health.
- Quarterly monitoring of preventive measures adopted.
- Negotiation of Naturgy's Equality Plan.
- Negotiation of the Protocol on Sexual Harassment and/or Gender-based Harassment.
- Launch of the regular Professional Development Programme.
- Launch of specific Professional Development Programmes.
- Naturgy's Equality Plan Follow-up Meetings
- Meetings to monitor the Collective Bargaining Agreement and interpretative agreements.
- Follow-up meetings on the implementation of the new Distribution Control Centre model.
- Meetings and agreements Electoral Commission.
- Joint approval of the Rules of Procedure for the internal functioning of the Health and Safety Committees.
- Global health and safety plan 2024-2025
- Revision of the risk assessment methodology by including a gender perspective and reinforcing psychosocial aspects.
- Analysis meetings for the establishment of measures to address possible psychosocial risks.
- Quarterly monitoring of accidents and preventive health and safety measures.

In line with Naturgy's commitment to information, consultation and participation, any change that affects or which could affect labour relations is passed on to the social agents in full compliance with the deadlines and guarantees established in prevailing legislation. Likewise, Naturgy has permanent open channels for the resolution of doubts and the transfer of information, beyond the established formal channels.

- **Employees included and not included in the bargaining agreement**

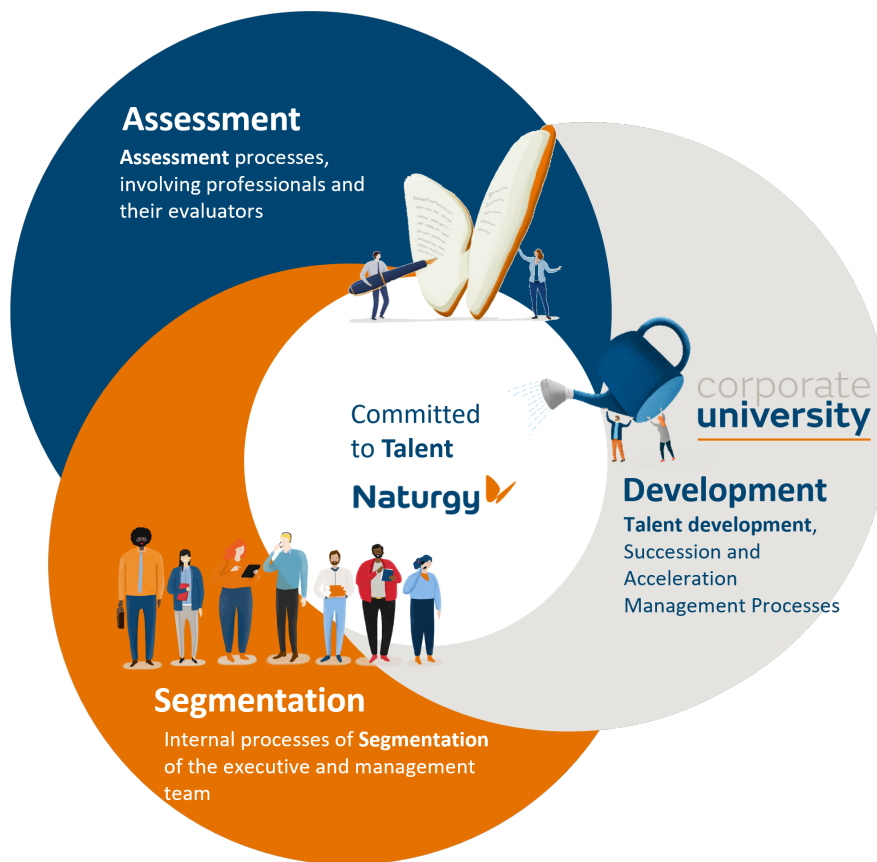
	2023		2022	
	% Not included in agreement	% Included in agreement	% Not included in agreement	% Included in agreement
Argentina	28.6	71.4	27.4	72.6
Australia	100.0	0.0	38.5	61.5
Brazil	29.1	70.9	29.3	70.7
Chile	3.5	96.5	1.7	98.3
Costa Rica	6.3	93.8	5.3	94.7
Spain	38.3	61.7	37.2	62.8
USA	100.0	0.0	100.0	0.0
France	100.0	0.0	100.0	0.0
Ireland	100.0	0.0	100.0	0.0
Israel	100.0	0.0	0.0	100.0
Italy	100.0	0.0	100.0	0.0
Luxembourg	100.0	0.0	0.0	100.0
Mexico	14.5	85.5	19.7	80.3
Netherlands	0.0	100.0	0.0	100.0
Panama	57.3	42.7	55.6	44.4
Portugal	0.0	100.0	0.0	100.0
Puerto Rico	100.0	0.0	100.0	0.0
Dominican Republic	2.9	97.1	2.8	97.2
<b>Total</b>	<b>32.2</b>	<b>67.8</b>	<b>31.0</b>	<b>69.0</b>

## Talent management and retention

Naturgy's Business Plan through to 2025 establishes continuous improvement, operational excellence, digital transformation and improved customer relations as strategic axes, prioritising in all of them the experience of professionals as the key to achieving these objectives.

In this context, our "360 Commitment" People Strategy puts people at the heart of decision-making and actions, with professionals at the centre of all of these.

Through Naturgy's talent management model, this growth is driven by a continuous and evolutionary process, which begins with assessment, segmentation and talent development processes, through dynamic processes that promote exponential value for talent.



During 2023, the expert interview processes (internal and external) have continued, allowing the Group's executive and management development profile to be updated, reviewed and oriented, encouraging feedback conversations and direct contrast with each professional, regarding leadership competencies, motivation drivers and career development interests. A total of 284 interviews were conducted during the past year.

Under the claim "Committed to Talent", this period has seen the completion of the 360 Assessment process launched in 2022 where, through a self-assessment and the assessment of the professional environment (manager, peers and collaborators), Naturgy professionals can have a personalised assessment of their skills, as well as identifying strengths and areas for improvement. This process, with a focus on professional growth, is carried out every two years and promotes continuous feedback during this period for the setting, monitoring and progress of the Annual Development Objectives (ADG).

Specifically, this year the assessment involved 1,773 professionals evaluated globally, with the participation of 3,791 evaluators and 16,750 feedback questionnaires completed.

After this phase, the development process continues through the “Feedback Moment” in which each manager, on the basis of the development reports obtained from the assessment, shares the results individually with their team, in order to deepen, exchange visions and discuss development objectives and actions, with a two-year horizon.

In this context, the 360 Assessment in Naturgy is completed with the identification and setting of an Annual Development Goal (ADG) in line with the competences of Naturgy’s leadership model, representing a valuable professional opportunity for reflection and awareness of growth and development.

With this diagnosis, and through the Transformational Leadership Academy, a series of training journeys are deployed, both transversal and “tailored” to individual needs, to drive and promote work in the areas identified for improvement.

After setting the ADG, segmentation and calibration is triggered, based on the achievement of results in terms of objectives (What) versus the quality of results in terms of behaviours (How), which activates the third lever of the Talent Model, development, focusing on talent management and acceleration processes.

This integrated view of the process makes it possible to ensure the filling of vacancies and to work on the succession of key positions in the organisation.

### **Attracting and developing diverse talent**

Naturgy has the Flex & Lead programme, focused on hiring young people with or without work experience. This initiative aims to advance in the intergenerational and gender balance in the company, in line with Naturgy’s strategic business and sustainability targets.

Specifically, and through the set of initiatives integrated in Flex & Lead, Naturgy promotes the achievement of the following targets with a 2025 horizon:

- 40% female presence at the executive and management levels of the company in Spain (starting from 23% in 2020).
- 10% staff < 30 years of age (starting from 2.3% in 2020).

The recruitment target by 2025 is 332 young people with a STEM profile marked by agility, flexibility and collaboration, with digital skills and a data-oriented mindset.

The target for hiring women through the Flex programme (which specifically targets young professionals with no previous experience) is 60%, and in the case of Lead (which connects young people with some professional experience) it is 70%.

The experience of new talent includes participation in major projects, internal mobility between business areas and participation in career acceleration processes.

We currently have a staff of 268 young people who have joined the different Naturgy businesses and units since the start of the programme. Of this total, 116 new recruits were recruited in 2023, with an average age of 25 years and 81% women.

The monitoring of progress and compliance with the contracting objectives of both programmes is carried out by Naturgy’s Management Committee, to which a scorecard formed by all the businesses and corporate areas reports. These indicators are also reported to the Board’s Sustainability Committee, in accordance with the commitments made in the Sustainability Plan.

Flex & Lead recruitment professional profiles:

	2023	2022
Business Administration/Law	18	15
Data Science	7	9
Industrial/Energy	68	59
Marketing	2	2
Other	21	15

	2023				
	Participants	Men (%)	Women (%)	No. of actions	Total hours
Flex	172	24	76	545	16,666
Flex & Lead	42	29	71	238	2,261
Lead	49	18	82	350	3,540

NB: In 2023, there has been no specific programme for the Flex & Lead collective. The data shown reflect the participation of people in different formations.

The number of actions corresponds to the total number of courses completed by each of the groups and the total number of hours completed in the training activity carried out by them in 2023, without repetition.

### Development of internal talent

The organisational model and the talent model promote professional development in line with Naturgy's business plan, based on transversal management and at the same time segmented by business units, with initiatives that adapt to the reality and specific requirements of each one, according to their own objectives and groups.

In this context, during 2023, various development initiatives have been deployed in Naturgy's businesses, among which the following stand out:

#### Impulsa Programme: developing our talent

This initiative deployed in the electricity grid business in Spain, UFD, seeks to identify non-managerial profiles with high potential for development in the company, with the aim of evolving the maturity of management skills, based on Naturgy's leadership model, and promoting their internal development.

This programme, which began in 2023, has a group of 45 people, with heterogeneous profiles and experience. The participants have taken part in different training and development actions, which are set to continue in 2024.

#### Management and technical development

With a vision of synergies, the Renewable Energy, New Businesses and Innovation business has promoted development initiatives aimed at the management and technical teams of the wind, photovoltaic and hydropower operations areas, with the aim of aligning and transferring greater responsibility in their areas of expertise and influence. In the case of management, it has meant working on personal and professional skills and competences, with a focus on communication, assertiveness, empathic skills, active listening and teamwork and leadership skills. For the technical teams, this initiative has involved transferring what they have worked on with the managers and accompanying them with mentoring processes.

#### "Today you participate"

It is an initiative driven by the Wholesale Markets and Procurement business to boost the development of its management talent.

Specifically, it consists of the weekly presentation to the business' Management Committee of relevant and impactful projects being developed by this talent. This initiative gives visibility to internal talent, promoting their recognition, networking, as well as their presentation and leadership skills. It also seeks to strengthen the connection of the Wholesale Markets and Procurement Management Committee with the work and vision of its teams.

## BKAM Programme

This initiative of direct focus on business goals, launched by Naturgy's marketer, aims to evolve the profile of Manager to Key Account Manager in order to achieve greater influence in the collaborating companies and improve their performance. During 2023, it has had 91 participants in hybrid training experiences, with concrete impact of 106 account plans, and 118 collaborating companies managed with a new simulator.

### “Complex Conversations for People Management”

This initiative implemented in gas networks in Spain, NEDGIA, consists of practical workshops based on experience, where key aspects of people management are reinforced through constructive conversations and feedback, generating an environment of trust and improvement among the teams.

The aim of these workshops is to strengthen leadership by working along the following lines:

- Generate autonomy and empowerment
- Address and manage conflict situations
- Be aware of the importance of commitment
- Teach your teams to ask themselves questions in order to find solutions
- Don't be afraid to make mistakes A mistake is a learning process
- Believe in the need for feedback

## Operational Specialists

Sponsored by Naturgy's Conventional Generation business in Spain, this initiative is focused on Combined-Cycle Power Station Operating Technicians, to develop their functions as Operational Specialists, through a 6-month training course of upskilling and reskilling, to exercise functions of greater value and qualification, favouring greater employability, in other functions inside and outside the business, impacting directly on their development and motivation.

## Training model

At Naturgy, the training of professionals is one of the strategic levers for transformation and development in the company. Specifically, the Corporate University (CU) has positioned itself as the representative and backbone element of the training experience in Naturgy through the development of key knowledge, the connection with the latest trends and technologies as well as the development of skills and competencies linked to the leadership and cultural models of the company.

In recent years, the CU has strengthened its role of transversal governance and management, while simultaneously giving greater autonomy to the different businesses, giving them increasing responsibility in the definition and execution of their training plans and budgets, according to the particular requirements of each one.

The synchronicity between the Corporate University and the Global Training Policy is guaranteed through periodic monitoring committees, where visions, proposals and practices are exchanged, facilitating the influence and integration of training into key processes.

## Corporate University

### ▪ Corporate University's indicators

	<b>2023</b>	<b>2022</b>
Annual investment in training (million euro)	4.7	3.8
Annual investment in training per person (euro)	730	588
Training hours	265,465	232,445
Number training hours/employee	41.5	35.9
Staff trained (%)	97.7	97.3



▪ **Satisfaction**

	<b>2023</b>	<b>2022</b>
Satisfaction surveys answered	49,262	46,413
Participants' average satisfaction (0-10)	8.8	8.7
Average degree of application of knowledge and on-the-job skills (%)	80.7	74.4
No. of programmes with assessment of application (courses)	194	172
Average perception index (0-10)	8.3	8.2

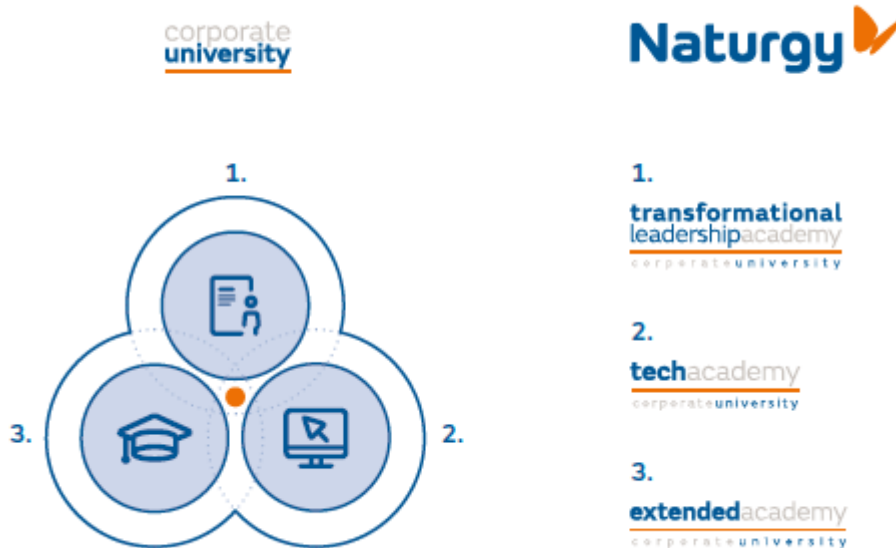
NB: the measurement model is not implemented in Chile.

▪ **Staff trained (%)**

	<b>2023</b>				<b>2022</b>			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Men	92.1	97.5	97.7	96.8	97.3	99.6	97.7	95.6
Women	96.3	97.7	98.6	98.5	98.4	98.9	97.8	95.3
<b>Total</b>	<b>93.2</b>	<b>97.6</b>	<b>98.0</b>	<b>97.2</b>	<b>97.7</b>	<b>99.5</b>	<b>97.8</b>	<b>95.6</b>

NB: The breakdown of training hours per age and professional category is reported in Annexes Chapter, section Commitment and talent.

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



— **Transformational Leadership Academy (TLA)**

Based on a vision of the future and linked to Naturgy's Strategic Plan, in 2023 the TLA has continued its training deployment to ensure the leading role of company leaders in the transformation and achievement of business objectives, through its four axes:

- Digital Academy: its objective is to transform the professional profile in Naturgy towards more digital employees.
- New Energy: its vision is to develop managers and high potentials to face future challenges and be aware of market trends.

- Naturgy Leadership: with the aim of promoting the role of leadership as drivers and connectors of organisational and cultural change in the company.
- Happiness Academy: with the aim of promoting motivation and well-being with a holistic vision. This is the new academy created in 2023 that promotes training in aspects and dimensions that affect people's happiness. It integrates existing training content with new offerings linked to the promotion of health and physical, mental and emotional balance, through transformative experiences, inspiring talks and the promotion of healthy leadership and psychological safety.

– **Tech Academy (TA)**

The Tech Academy, in turn, transfers technical knowledge to the staff of each unit to ensure 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.

– **Extended Academy (EA)**

Through this academy, the CU offers a wide range of training to external collaborating companies, customers and suppliers, 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 14,945 annual participants and 37,468 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.

**Training catalogue**

In 2023, the learning culture has been fostered by promoting external and internal social networks, collaborative tools and innovating in resources and methodologies. All of this is aimed at generating collective and diverse talent, different learning ecosystems and dynamic training resources.

On the other hand, transformation and change processes have been proposed that are implemented in the environment and culture and applied through the development of new skills to ensure the sustainability and diversity of the company, learnability, critical thinking and assertiveness. The Corporate University promotes a new leadership concept, a digital, exponential leader who can influence and manage complex environments.

The training and learning that is developed is of great value to business. While incorporating reskilling and upskilling actions, criteria of efficiency, cost optimisation and technological adaptation are used.

The Corporate University portfolio is flexible and adaptable to the needs of the environment and the Group's strategic goals, and is directly linked to the leadership model and culture. Regular coordination meetings with all businesses and countries articulate the activity efficiently.

The application of the training and development policy means that all professionals have access to a suitable range of training and access to it to enable them to make the most of the training activities. The model aims at empowering professionals, on-the-job performance and the relationship with their managers in the training process.

This year's programmes have been organised in the following areas:

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

- Transformation and entrepreneurship: "The Third Energy", "Innovation Week" and intra-entrepreneurship programme with Junior Achievement.

- Well-being: “Naturgy Leader Wellbeing”, workshops on psychosocial risks, mindfulness programmes, cohesion actions to raise awareness on self-leadership and teamwork, and awareness-raising webinars on well-being issues.
  - Happiness: “Happiness Week”, “The Sense Revolution”, “El Gefe” (happiness management), webinars and pills on this topic. In 2023, the new TLA school called “Happiness Academy” came into operation and is expected to grow in size in the coming years.
  - Sustainability: “Carbon Footprint and Climate Change”, “Decarbonisation and Sustainability Congress”, “Corporate Sustainability Certification” and “Energy Storage and Green Transition”. In addition, a new cross-cutting pill is being developed to assist and support the entire organisation.
  - Diversity: “Inclusive Language”, “Prejudices, stereotypes and unconscious biases and their impact on the workplace”, “Intergenerational Leadership”, “Women’s Week” and “STEAM Women’s Community”.
  - Compliance: “Crime Prevention Model” general course, reskilling programmes such as the “Internet as a means of investigation course” and “Training on Compliance Risks in marketing activity and controls to mitigate them”. Seminars such as the “2nd International Technical Forum on Compliance 2023” and “Complex Legal Structures”.
  - Innovation: “Connecting Energy” training, “Disrupt” programme, the “Agora Talks”, and “Innovation Week” with different webinars and pills. Agile methodology is also facilitated through Scrum actions and certifications.
  - Cybersecurity: New Cybersecurity 2.0 course offering practical learning about the cyber-attacks that have the greatest impact on an organisation. Awareness-raising webinars on topics such as “CEO fraud” or “Antiphishing” were also held.
  - Communication: “Communication Skills”, “Captive Club”, “Elevator Pitch” and “Impact Communication”.
- **Programmes to boost the company’s professionals digital profile:**
- Digital Culture: Courses on OneDrive, Teams and SharePoint, Digital Marketing skills, AI training such as the “PersonIA Project”.
  - Digital skills: “Data Programs”, programming language such as Python, SQL or Visual Basic, and other tools such as Power Apps, Power Automate, Power BI, as well as training oriented to reskilling (B-Digital, Pyspark, support sessions to work on real projects based on MS technologies, the “NAPAI Project” and the “Data Business Owner STEAM women” programs). This year the Group has started the digitalisation processes on the AI world with the “AI Framework & Governance”. Through the Coursera platform, knowledge related to Cloud, Big Data and Machine Learning has been made available to professionals. In total 16,187 hours have been completed with 452 unique participants in Digital Skills by the end of 2023.
  - Digital Mindset: High-impact distance learning programmes that address the digital transformation processes of business models in the energy sector such as “Digital Mindset”, “Internet as a means of research” and “Transformation for the digital age”. In total 551 hours have been completed with 52 unique participants in Digital Mindset by the end of 2023.
  - Programmes that outline future challenges, market trends and the development and projection of young talent.
- **Leadership promotion programmes, as a lever for the group’s transformation and vision:**
- All you need is Grow (ANG): To boost vision and strategic thinking, develop leadership skills and enhance managers’ personal network of contacts.
  - FutuHRe Management Insights: It promotes reflection and sharing in order to build a common reality.
  - Exclusive and specific development programmes for managers with top business schools: IMD, London Business School, IESE, ESADE.

- **Leading in Complexity:** It aims to help develop leaders who are able to think systematically and question the boundaries, forms, connections and meaning of their organisations, their teams and themselves.
- **Leading to Excellence:** Aimed at training persuasive communication skills, dealing effectively with difficult situations, acquiring tools for proper time management and improving productivity.
- **Visible Leaders:** Aimed at female and inclusive leadership, with training focused on the challenges of communication, such as Impact Communication, Personal Development and Communication Skills Circuits.
- **Mentoring Programme:** It fosters an internal leadership culture that is committed to developing talent at all levels of the organisation. 13 trainings such as “Growing Talent”, “Mentoring Change Riders” or “Mentoring Club and Mentor Day” are carried out. Mentoring interviews are monitored and supervised and training support is provided to both mentors and mentees.
- **Coaching:** reflective coaching processes to maximise potential and achieve personal and professional goals with the Escuela Europea de Coaching and Humaniza, as well as online coaching actions through the CoachHub platform.
- **Women’s empowerment management programmes** such as “Promociona”, “Progresa” and “Proactiva”.

#### – **Programmes to connect with trends and the environment**

Throughout 2023, different training actions have been carried out in which 2,055 unique participants have participated with a total of 18,476 hours, in order to develop new skills that allow professionals, including new recruits, to be up to date with trends and thus be able to face and achieve new challenges:

- **RefresH:** Programme focused on providing corporate and business teams with up-to-date general competencies in the main areas of HR knowledge.
- **Naturgy Leadership Toolbox:** Programme to adapt the leadership style to the needs and demands of the moment and align the skills and competencies of the managers with corporate culture.
- **The Power MBA:** A learning platform that provides 10 programmes on different topics that will help to hone negotiation skills and put them into practice.
- **Productivity:** Training aimed at improving productivity through a process based on the CALMA model that allows for the appropriate management of emotions and time.
- **Seijaku:** Programme to understand and value positions and processes different from one’s own, to be able to modify one’s own approach and promote change, anticipating from the strength of purpose.
- **Flex & Lead days:** Two-day face-to-face sessions for new recruits so that they can find out what the Group’s businesses do and how to interact with other professionals.
- **My personal Brand:** Programme to boost the growth of young internal talent, helping them to develop a personal brand in line with their projection.
- **Learnability Experience:** Programme created to facilitate learning experiences that promote the growth of Naturgy’s people, using a different approach.
- **Pharos:** It is a lifelong learning platform, for continuous training with a total of 30 different areas, each of which incorporates over 20 courses.

#### **Awards**

In 2023, Naturgy was the only Spanish company recognised for best practices in corporate learning by the Global CCU Awards (Global Council of Corporate Universities).

These awards, given by a prestigious professional network of corporate learning organisations, recognise corporate universities that contribute to creating strategic value-added for the business of companies, their professionals and society.

Specifically, the company has received the Gold award, the highest distinction in the category of Social Impact and Climate Change, which means its inclusion in the world vanguard in sustainability training, thanks to the innovation and transversality of the training deployment in this field.

As a result of this distinction, the company has been invited to participate in the Community of Good Practices of the same organisation, where corporate universities from all over the world meet to share experiences, programmes, challenges and learning, with a focus on improvement and excellence.

### Quality certifications in training

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 and up to this day, Naturgy has also had the CLIP (Corporate Learning Improvement Process) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations. During 2024, the company is expected to renew this certification for another five years.

## People Analytics

In 2023, the methodological strategy implemented by the People Analytics unit during 2022 for the processing of information in the area of People and Organisation (P&O) has crystallised in a series of tangible products. Initially launched as Minimum Viable Products (MVP), they are now consolidated as levers of transformation and digitalisation, regularly used to support and collaborate with other business/corporate units in their own transformation projects:

- Monthly list of Naturgy's staff and monthly lists of employees joining and leaving. Its digitalisation and automation has allowed greater speed in the integration of information, but above all, it has consolidated the transformation of the data-generating process, giving rise to the principle of "single data". In addition, criteria have been defined for the reconstruction of historical staff lists, allowing teams to access information up to December 2017 through PowerBi.
- Tool for the preparation of the Monthly Staff Report (MSR), the automation of which provides great value both in terms of time savings in its preparation and the guarantee and traceability it offers in formal audit processes.
- Balanced Scorecard of the People and Organisation function. Functionally, it automatically collects and integrates the most relevant information from all People and Organisation processes.
- Development of a weekly analytical monitoring scheme for the Employee Assistance Service (EAS) in Power BI. The system is now in place for all countries and is a key element to support many of the decisions taken in the different monitoring committees. The great value-added is that it has put an end to the traffic of e-mails with manually processed information. The focus is now on a single, synchronised, weekly information system, easily accessible through the PBI.
- Tool for the monitoring and control of digital certificates issued by the Telematic Management Support Office (OSGT). It is already in place and has different levels of access depending on the users' responsibility in the process.

Within the Organisation, Transformation and Procurement unit, a digitalisation and transformation team has been created and has established itself as an essential lever for the automation of processes and the transition to a data-driven decision-making culture. Its role is to support, collaborate and transfer knowledge to the responsible units, enabling them to make more informed and effective decisions. This, in turn, leads to greater cost-effectiveness and efficiency throughout the process.

## Compensation and remuneration

### ▪ Breakdown of personnel costs (€M)

	2023	2022
Wages and salaries	452	451
Compensation for cessation	26	24
Social Security costs	94	87
Defined contribution plans	27	24
Defined benefit plans	3	4
Share-based compensation	5	7
Work carried out for the company's fixed assets	(79)	(74)
Other	52	24
<b>Total</b>	<b>580</b>	<b>547</b>

### Reward

The pay and reward strategy is comprehensive, fair and competitive, governed by common principles born from business. Naturgy understands that in order to achieve its business objectives, people are a differential and key factor within the strategy. Remuneration and rewards are therefore management and investment tools for business success, framed within a broad and comprehensive value proposition for the company's employees.

Within this framework, the company has defined the following reward philosophy:

- Support the strategic business challenges, through excellence and quality of products and services through the people who work at Naturgy.
- Have highly qualified and professional people, who work as a committed team with a clear focus on business objectives.
- Recognise especially those people who make a unique contribution to the achievement of business objectives, the loyalty of key profiles and the attraction of new skills.
- Contribute to the development, recognition and reward to ensure talent attraction and retention
- Work to differentiate itself in the market as a company committed to effective people management.

In turn, the management principles underpinning the reward are a set of common rules and fundamentals that must be adhered to regardless of segment, group, geographic location, financial year or any other variable not explicitly stated in them. Any programme, policy, procedure, tool, negotiation, etc. related to Naturgy's remuneration and reward shall be guided by the following principles:

- Provide a clear and transparent Total Reward offer.
- Foster a culture of performance that is results-oriented.
- Reward according to individual contribution.
- Recognise the different needs of different groups.
- Reward fairly according to the contribution of the position in the company, and competitively with respect to the market.
- Work to create a self-financing, sustainable and up-to-date reward model.

The Naturgy's reward axis aims to provide a framework for classification, remuneration, benefits and work environment, which drives and aligns professional performance with the strategy of Naturgy. In 2023, the valuation of jobs in the scope of the collective agreement has been completed as a result of the application of the new collective bargaining agreement signed in 2022.

The company's remuneration policy is governed by equality on an internal scale and competitiveness from the market point of view. In addition, there are two different remuneration models depending on whether or not they are included in the scope of application of the collective bargaining agreement.

Annual variable remuneration is based on homogeneous objectives with differentiated metrics depending on the business unit.

Metrics include:

- Economic and financial targets.
- ESG objectives:
  - Contacts
  - Diversity and gender.
  - Employee satisfaction index (eNPS).
  - Environmental goals
- In addition, a qualitative objective based on individual contribution is assessed.

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

Additionally, both the goals of the Management team and some senior managers are aligned and linked to those of the company through the long-term incentive programme (LTI). The target metric, linked to the share price, aligns the management team's contribution to value creation and the long-term interest of shareholders.

The remuneration package is supplemented with a social benefits system, which includes a pension plan and other social benefits detailed below:

- Medical insurance.
- Holiday home.
- Tariff rebate.
- Advances / Loans.
- Study grants.
- Life insurance.
- Food vouchers.

In addition, it offers the possibility of personalising and deciding on an annual basis the composition of the remuneration package for all staff in Spain, according to their needs through the "Total Compensation Plan", as well as taking advantage of the tax benefits that certain products of the remuneration package offer in accordance with Spanish legislation through the "Flexible Remuneration Plan".

## My Benefits Platform

Naturgy provides a unique and comprehensive solution for the management and communication of Compensation and Benefits programmes, contributing to the well-being of workers from a 360° perspective (financial, emotional, physical and social). This solution relies on technology and innovation to help employees understand, value, optimise and maximise their remuneration package by facilitating the adaptation of the package to the needs of their lives at any given moment.

Through this platform, the company makes available to employees the different options and alternatives that it offers employees as regards remuneration, encompassing the products in a single space:

- **Total compensation plan**
- **Flexible remuneration plan**

- **Pension schemes:** Collective savings insurance for retirement, Pension Plan of the Employment System or complementary policies to the Pension Plan, as well as discounts in more than 600 online shops and 100 travel portals where you can get a refund of a % of the amount of all purchases made.
- **Savings in Personal Insurance** (home, life, car, death, ...)
- **“My Wellbeing and Health” space:** in which workers have access to plans, advice and programs aimed at improving health and personal well-being (monitoring and improving nutrition, receiving wellness tips, define and achieve healthy challenges, treatment monitoring, analysis, health indicators...)
- **Health Insurance:** the platform facilitates any management with insurance entities in an agile and simple way.
- **Time Bank:** a space that is both physical and virtual, where they can carry out daily tasks such as advisory services or support for carrying out frequent procedures. In addition, there is the “Advantages Club” (exclusive virtual space with offers) or the “easylife Space” (proximity services and product purchases).

## Pension plans

[201-3]

In the case of Spain, the joint pension plan for Naturgy employees is a defined contribution plan for retirement and defined benefits in the event of death or incapacity whilst actively working.

The pension plan is of a mixed nature:

- For retirement, the vested rights of each participant are used (defined contribution).
- For risk contingencies, it is a defined-benefit plan, the coverage being underwritten by an insurance policy associated with the pension plan itself.

The plan currently has a net worth of more than Euros 521 million, which is distributed among approximately 3,945 active employees, and more than 4,872 beneficiaries and suspended participants.

At the international level, the pension plan is adapted to the particularities and needs of the countries.

In Brazil, there are two types of pension plans:

- Gasius Pension Fund, defined benefit pension supplement plan.
- Naturalprev, optional defined contribution pension supplement plan, employer matching employee contribution.

In Chile, a complementary benefit is offered to the benefits of the Chilean Pension System, consisting of a system of defined contribution and mixed contribution (company-worker), where the company’s contributions are made according to the professional category.

In Mexico, CIJUBILA (Individual Retirement Account) is offered as a defined-contribution system complementary to the public pension, with mixed company-employee contributions.

## Average remuneration by age group, gender, and professional category

The tables of average and median fixed and variable remuneration, and average and median variable remuneration by professional category and gender can be found in the annexes. These pages show the fixed remuneration by professional category and the existing pay gap. All remuneration indicators are expressed in euros. The data reflect the situation at 31/12/2023 in annual terms.



▪ **Fixed remuneration**

	<b>2023</b>			
	<b>Executives</b>	<b>Middle management</b>	<b>Specialists</b>	<b>Operational staff</b>
Argentina	105,804	47,703	18,009	12,040
Australia	0	101,229	74,781	0
Brazil	143,041	55,369	25,147	17,581
Chile	186,666	115,164	39,262	20,695
Costa Rica	0	0	21,579	14,003
Spain	221,035	85,689	53,054	40,948
USA	0	147,579	223,562	0
France	0			0
Ireland	0			0
Israel	0	0	38,659	0
Italy	0		0	0
Luxembourg	0	0		0
Mexico	163,909	60,880	23,347	9,683
Netherlands	0	0		0
Panama		61,903	23,645	16,774
Portugal	0		38,934	0
Puerto Rico	0	0		0
Dominican Republic	0	0	28,774	14,374

NB:

- Blank data are not published for confidentiality reasons.
- Data that are 0 correspond to categories with no employees.
- The exchange rate used is as at the end of December 2023.

	<b>2022</b>			
	<b>Executives</b>	<b>Middle management</b>	<b>Specialists</b>	<b>Operational staff</b>
Argentina	159,005	81,837	30,260	20,440
Australia	0	100,218	70,951	0
Brazil	117,611	47,448	22,084	14,582
Chile	180,883	113,563	37,466	21,063
Costa Rica	0	0	18,469	12,138
Spain	213,146	83,999	49,360	36,665
USA	0	0	0	0
France	0	0	0	0
Ireland	0	0	0	0
Israel	0	0	42,074	0
Italy	0	0	0	0
Luxembourg	0	0	0	0
Mexico	133,058	51,847	19,945	7,954
Netherlands	0	0	0	0
Panama		60,451	23,252	16,801
Portugal	0		35,490	0
Puerto Rico	0	0	0	0
Dominican Republic	0	0	27,688	14,008

NB:

- Blank data are not published for confidentiality reasons.
- Data that are 0 correspond to categories with no employees.
- The exchange rate used is as at the end of December 2023.

## Salary gap

[405-2]

The calculation of the salary gap has been done as follows:

$$\text{Salary gap} = \frac{\text{Men's average remuneration} - \text{Women's average remuneration}}{\text{Men's average remuneration}} \times 100$$

A percentage above zero represents the percentage that women are paid less than men.

There is currently a lower representation of women in positions of higher responsibility and therefore higher pay. Women are mainly concentrated in management and support positions, while men occupy proportionally more business positions.

There is also a predominance of men in the most senior positions, which has an impact on pay. Men occupy the majority of technical and operational positions where all variable pay (shifts, standby, overtime, etc.) takes place, which explains many of the pay differentials.

This scenario highlights the need for diverse profiles, as well as STEM careers and technical training for the development of the company's business activities.

In order to give the overall data by professional category, the mean and median salaries per country and professional category have been weighted according to the number of employees in that classification.

This exercise has been carried out for both total remuneration (average fixed and variable) and variable remuneration.

	2023				2022			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Average fixed + variable salary gap (%)	29.2	4.8	7.7	5.4	29.7	4.8	5.9	5.3
Median fixed + variable salary gap (%)	15.2	0.6	7.2	4.8	17.9	-0.1	3.7	5.1
Average variable salary gap (%)	35.3	10.2	15.9	(0.7)	36.3	10.1	13.1	4.2
Median variable salary gap (%)	21.9	6.4	14.2	1.3	21.0	0.5	7.2	1.0

NB: Details of the gaps by country in chapter Annexes, section Commitment and talent.

## Satisfaction and commitment of the Naturgy team

The value proposition and professional experience in Naturgy is built and evolves on the basis of continuous listening to its employees' satisfaction and the value they attach to the actions, services and programmes available to them.

To measure the professional experience, climate and mood of people, Naturgy uses Happyforce as a measurement and technological support tool to obtain the opinion and perception of those who work in the company, globally and transversally across all geographies and areas.

Specifically, Naturgy's people score different factors which, when grouped together, allow the following categories to be assessed: Relationships, Intrinsic Motivation, Feedback, Alignment, Well-being, Compensation and Recognition within the company. These results are captured in a digital and aggregated format, ensuring transparency and anonymity of responses.

In line with the evolution of the measurements of the different aspects of the well-being of our professionals, the happiness indicator gives us the pulse of the company's state of mind with the daily question "How are you today?" and currently stands at 68 points out of 100, with 77% voting "Well" or "Very well".

In this context, the indicator for monitoring satisfaction and engagement of Naturgy professionals corresponds to the percentage of promoters (ratings of 9 and 10) on the question: "On a scale of 1 to 10, how likely is it that you would recommend Naturgy as a good place to work?" Its target rate - by 2025 - is 40% and in October 2023 it stands at 49%.

The metrics for the eNPS and Climate dimensions allow us to analyse response trends throughout the year. In this sense, the evolution of the eNPS in the year 2023 has been very positive and has reached a value of 29 in the October measurement. All the Climate dimensions have maintained a positive evolution, with 4 of them above 7.

It is important to highlight that both the happiness index (Hi), the percentage of promoters, the employee net promoter score (eNPS) and the scores of the different categories are published monthly on the Naturgy intranet, and are available in real time to all employees through a mobile application, where it is also possible to see results disaggregated by areas.

The metrics are analysed monthly by an agile and transversal work group - made up of the business and corporate people teams - who take on a proactive role in the design and implementation of concrete actions to improve the employee experience based on their feedback.

Finally this cross-platform application also allows suggestions or ideas for improvement, as well as social recognition among peers, linked to the competencies of the company's leadership model.

### Boosting recognition

As already mentioned, Happyforce has become a lever for the visibility and enhancement of the Leadership Model itself and its 6 competencies: Courage, Transformation, Communication, Continuous Learning, Action and Collaboration.

To encourage social recognition, specific campaigns have been conducted throughout the year, as well as spontaneous acknowledgements, and "seals" have been given out, which go beyond the virtual and generate greater closeness between employees, while generating dialogue between teams.

### Listening that promotes improvement

As a result of listening through this platform, focus groups are carried out periodically to deepen the perceptions collected on the platform.

Thanks to this virtual and face-to-face listening, more than 150 actions have been implemented during 2023 to improve the employee experience with an impact on satisfaction and engagement, mainly in the areas of health and well-being, recognition, leadership, alignment, relationships and feedback.

### 3. Health and safety

[3-3]

(Occupational safety and well-being)

Naturgy maintains a firm commitment to the health and safety of people, supported through policies and actions aimed at preserving and promoting responsibility in this area not only at a collective level but also at an individual one, both for employees and collaborating companies (CC). This commitment is led by senior management and embraced by the entire supply chain.

The company works continuously to prevent and mitigate negative impacts on the health and safety of our own employees and the employees of our CC, maintaining risk-free or minimal-risk working environments, and integrating health and safety management at all levels of the organisation and in all decisions and operations.

The management system implemented at Naturgy also establishes specific actions aimed at minimising the accident rate associated with the most critical risk factors, both through operational control tools and through the definition of “red lines”, the surpassing of which implies the application of the penalty system.

The promotion and care of health is another of Naturgy’s priorities, implementing actions aimed at reducing the impact of its activities by improving the quality of life, well-being and health of the people who make up the communities where the company operates, and investing in new educational strategies that enable the workplace to become a forum for the transmission of healthy behaviours for workers and their environment.

#### Strategy and policy

##### Global Health and Safety Policy and strategy foundations

Naturgy’s safety strategy is aligned with the Sustainable Development Goals (SDG 3. Good health and well-being and SDG 8. Decent work and economic growth) and is integrated into the 2021-2025 Sustainability Plan, contributing both directly and indirectly to the fulfilment of its goals.

The strategy is based on the principle that nothing is more important than the health, safety and well-being of people and is developed in collaboration with the business units to foster a culture of safety and health throughout the organisation. It aims to avoid and prevent accidents and damage to health, while providing a safe and healthy environment. In this way, Naturgy assumes the following commitments:

- 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.
- Promote well-being by maintaining a working environment with safe and healthy working conditions by integrating occupational risk prevention, and the protection and promotion of health and well-being into business management.
- Prevent potential injury and damage to health by ensuring that any potential hazardous situations that could affect workers, suppliers, customers, the public and the safety of the premises are assessed and managed in an appropriate way to eliminate hazards and reduce risks.
- Establish a management model as a driver of the safety, health and well-being culture based on continuous learning, consultation and participation of workers and their representatives, analysis of accidents and incidents, dissemination of lessons learnt and health education and promotion.
- Incorporate health and safety targets and 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.

- Be a benchmark in new strategies for health education, disease prevention and health promotion, enabling the workplace to become a vector for the transmission of healthy habits and behaviour, as well as a generator of positive influence on the health and well-being of workers, their families and their environment. Implement measures targeted at the continuous improvement of the quality of life, well-being and health of people within the organisation and the communities where the company operates.
- Provide the necessary resources and means to enable compliance with applicable legal requirements, as well as with the safety, health and well-being standards assumed by the organisation.

Naturgy's Global Health and Safety Policy was approved by the Board of Directors in 2019.

### Five principles of health and safety

This vision is complemented by the assumption of five principles of health and safety management that govern all the activities and which are shared and extended to all CCs.



### Health and safety management system

[403-1] and [403-8]

Naturgy has a Group-wide Occupational Health and Safety Management System (OHSMS) developed in collaboration with all business units and focused on the areas of greatest risk criticality. This system covers 100% of employees and workers who are not employees and who carry out their activities in work centres owned by Naturgy. This system is integrated with the quality and environmental management systems that already exist at Naturgy and is audited and certified by third parties pursuant to the ISO 45001 specification.

Its scope is global, including all businesses and countries, and pivots on five main lines of action, as follows:

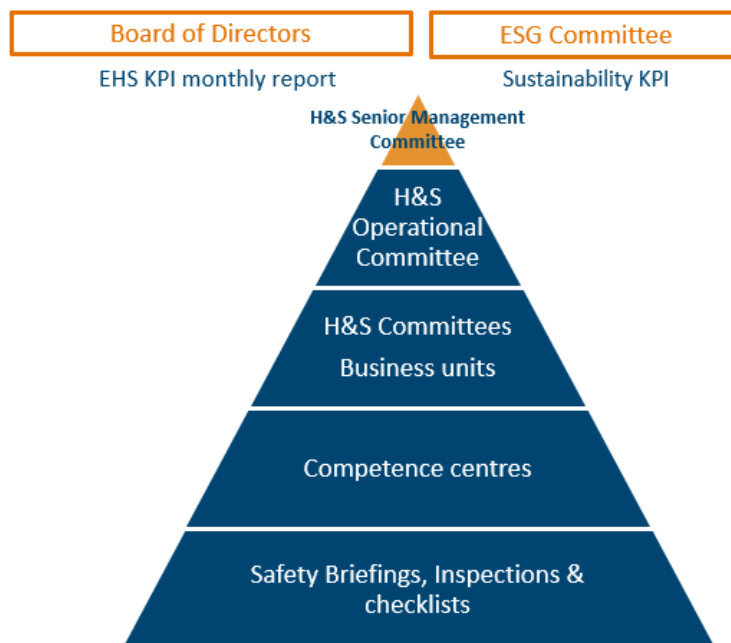


**Health and safety governance at Naturgy**

Naturgy’s commitment to health and safety is directly linked to senior management and emanates from its Board of Directors. By strengthening this leadership in safety, the aim is to guarantee the application of the model in all businesses and activities, both in-house and outsourced.

Regarding the governance model, the Sustainability Committee of the Board of Directors is the supreme body responsible for the governance of sustainability and ESG aspects in Naturgy. It regularly monitors the management of health and safety risks and opportunities as well as their potential negative and positive impacts. It also approves the Sustainability Plan, assesses environmental, social and good governance performance and analyses the results of ESG indices, standards and trends in order to promote improvement actions and promote and approve projects that contribute to meeting the established objectives.

With this vision, the health and safety governance model is consolidated, with a top-down committee structure, which is adapted to the new business structures and guarantees that criteria are implemented uniformly throughout the organisation.

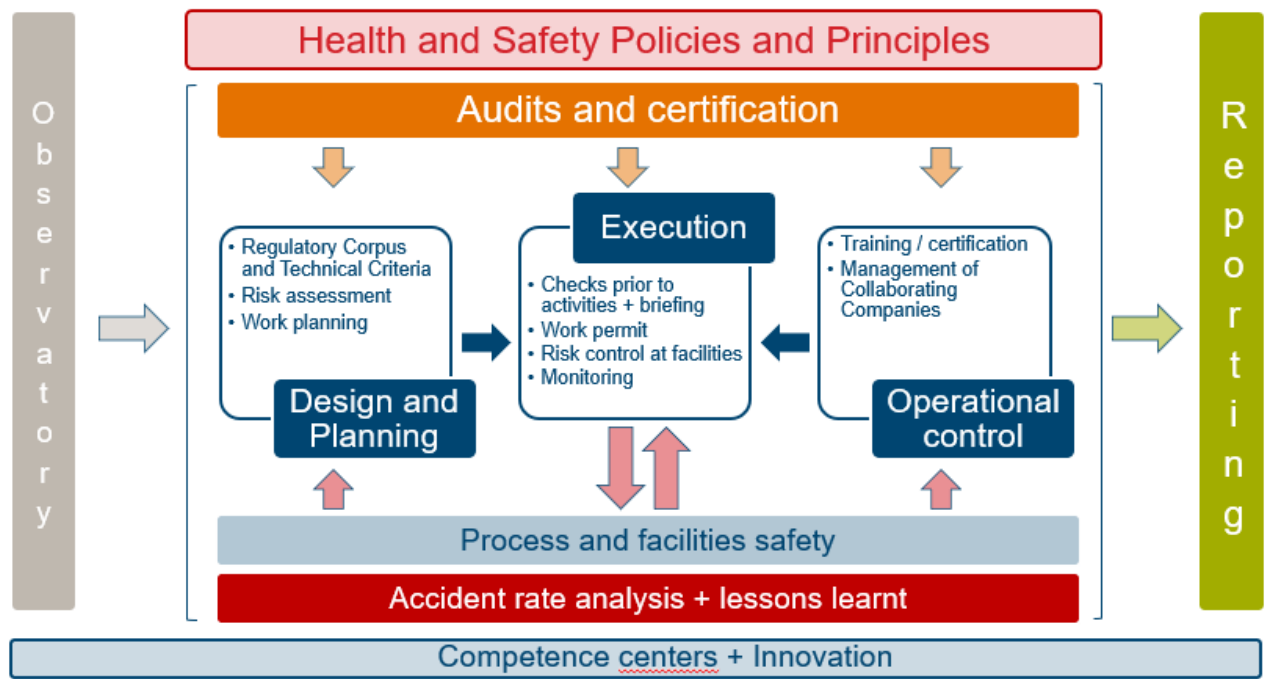


**Development of the Occupational Health and Safety Management System (OHSMS)**

The normal development of the Occupational Health and Safety management system is structured on the basis of the following elements:

- An integrated occupational health and safety management system audited and certified by a third party, with scope for all businesses.

- The integration of health and safety in the value chain, including procurement, design and planning of activities and facilities.
- Action plans to address the most critical aspects, ensuring the implementation of preventive and/or corrective measures and strategic lines of work.
- Itineraries and training requirements tailored to the job.
- 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.
- Compliance with relevant international occupational health and safety standards and regulations, such as ISO 45001.
- Consultation and participation of workers or their representatives.
- A commitment to continually improve the occupational health and safety management system.
- The establishment of quantitative targets for the improvement of occupational health and safety performance, linked to the monitoring of the evolution of indicators and action plans arising from incidents and accidents.



### Annual system audit plan

Annual internal and external audits and safety diagnostics are carried out to verify compliance with these systems, both in terms of their effectiveness and compliance with legislation.

At the beginning of 2023, as a result of the tender at the end of 2022, TÜV Rheinland has become part of the audit and certification process. All the external audits carried out by this new auditing company of renowned international prestige 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.

In 2023, in addition, the re-certification audit of the Healthy Organisation Management System was carried out by AENOR, auditing the model in Spain, Brazil, Mexico and the Dominican Republic.



## Consultation and participation

[403-2] and [403-4]

The main backbone of Naturgy's commitment to health and safety is the involvement and collaboration of the company's employees. To identify, correct and eliminate potential risk situations, it is essential that workers are involved through consultation and participation in safety, health and well-being issues. Furthermore, internal and external communication and participation in the development of the integrated quality, environment, health and safety management system allows for successful results.

Specifically, this system includes all groups identified as "workers" as defined in the new ISO 45001 standard.

Naturgy has established the following specific processes and bodies for consultation, participation and two-way communication with employees:

- Health and Safety Committees, a joint and collegiate body representing workers.
- Channels for participation and consultation—notice board, personalised letters, intranet, suggestion boxes, Employee Care Service (SAE)—through which anyone can propose ideas, make comments, complaints or improvements, without barriers or obstacles.
- Regular health and safety communication between unit managers and their teams in accordance with the Health and Safety Standard. These promote awareness and participation of all employees, also responding to their information needs through their lines of command.
- Enhancement of individual commitment through tools such as "Zero Tolerance", preventive safety observations and documented safety inspections.
- Code of Ethics Channel, available to all employees, where they can make complaints about relevant safety breaches that require confidential and impartial treatment.

As required by ISO 45001, Naturgy guarantees disclosure of the results of the management system review by Management to the workers' representatives, encouraging their collaboration in the review and continuous improvement of the management system.

The Health and Safety Committee has the following competences:

- To take part in the elaboration, implementation and assessment of risk prevention plans and programmes.
- To discuss projects in the field of planning, organisation and development of work and protection and prevention activities, including training in preventive matters.
- To promote initiatives on methods and procedures for the effective prevention of risks, proposing to the company the improvement of conditions or the correction of existing deficiencies.
- To be directly aware of the situation regarding occupational risk prevention, making the visits it deems appropriate for this purpose.
- To be aware of the documents and reports relating to working conditions that are necessary for the performance of its duties.
- To be aware of and analyse the damage caused to the health or physical integrity of workers, in order to assess its causes and propose appropriate preventive measures.
- Provide suggestions and concerns in order to contribute to the proposal of secondary prevention and health promotion campaigns, as well as to promote the dissemination of information about what has been planned and agreed in this regard.
- To be aware of and disclose the annual report and programming of prevention services.

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.

## Health and safety risks management

[403-2] and [403-7]

### Health and Safety Action Plan 2021-2023 balance

The balance of the Health and Safety Action Plan 2021-2023 is considered positive, with significant progress in all the targets set out therein:

- Reduction of the fatal accident rate of the collaborating companies and its consolidation: in the 2021-2023 period the fatal accident rate decreased significantly compared to 2020, from five fatalities to one in 2021, one in 2022 and one in 2023.
- Alignment of all collaborating companies with Naturgy's safety targets and maintenance of safety requirements in the new contracting and subcontracting models.
  - One of the key levers of improvement has been the "leadership" of the management in safety actions aimed at CC:
    - I. The application of the safety performance assessment model, together with the extension of the positive metrics model in the businesses/countries that were in the implementation phase, has helped improve the overall health and safety performance.
  - Business commitment to continuous improvement of the safety model, maintaining its homogeneity and integrity as a single model:
    - I. The global implementation of a PSIF (potential serious injury or fatality) model, the improvement of the incident investigation system and the effective implementation of action plans have contributed to the improvement.
    - II. The "digital ex-ante control" as a tool for evaluation prior to the execution of all activities and works has been developed and implemented in all countries and businesses, improving its effectiveness.
    - III. Several data analytics modules have been developed in Power Bi associated with core prevention processes, such as the monitoring of health and safety actions and health and safety training.

### Health and Safety Plan 2024-2025

Coinciding with the review of the company's Strategic Plan for the 2023-2025 period, in October 2023 the Management Committee approved a new health and safety plan, which will contribute to the achievement of the commitments and targets in health and safety assumed by the Board of Directors.

This plan aims to focus on "visible leadership in safety" not only for the company but also for the management of the collaborating companies, and to evolve the company's safety model to the new forms of work organisation and its associated risks.

Two key objectives are considered for this period:

<b>Revitalising our Safety Culture through leadership</b>	<b>Safety, a necessary contributor to operational excellence</b>
– The Group Management Committee and Business Committees as a key lever for reinforcing visible safety leadership at all levels	– Sustainable, homogeneous safety model, continuously adapting to new processes.
– Personal safety action plan for business leaders	– Asset operation security and asset integrity
– Role of the management of the usual CCs as prescribers of Naturgy's commitment to safety throughout the subcontracting chain.	– Zero Accidents vision, greater rigour in the investigation, ensuring the implementation of action plans associated with PSIF events.

The Plan, covering all geographies and businesses where the Group operates, aims to address new forms of work organisation, organisational evolutions and process transformation through adjustments to the safety model, a refocusing of leadership and global communication actions that reinforce a single health and safety culture.

Its development is structured in six main work networks, with a priority focus on:



- Strengthening “Visible Leadership” in health and safety at all levels.
- Preventive culture focused on people and adapted to new models of work organisation.
- Accountability of collaborating companies, improving their proactivity throughout the subcontracting chain.
- Security and integrity of assets and facilities.
- Communication as a key element in strengthening a unique culture of safety and creating healthy environments.
- Digitalisation of prevention and health processes.
- Data analytics to prioritise decision making also in safety.
- Anticipation of potential serious injuries or fatalities (PSIF) and their control.

## Common health and safety regulatory framework

At Naturgy, health and safety standards, procedures and technical rules of a transversal nature and applicable to the entire Group are in place to ensure that activities are carried out under the same safety conditions in all areas and countries. It is the business units that ensure their dissemination and implementation, as well as proper application.

To achieve this goal, competence centres have been set up to collaboratively develop these corporate standards. This work promotes the commitment of the entire organisation and has a positive impact in improving safety, reducing accidents and achieving optimal results, while ensuring ongoing adaptation and review.

This common regulatory health and safety framework is complemented by technical and safety procedures and instructions by type of activity and through a system for managing work permits for risk activities.

## Risk assessment and management mechanisms

[403-2]

The main strategies followed by Naturgy are based on avoiding risks and minimising those that cannot be eliminated. It has instruments for operational control that guarantee that the activity of its workers and collaborators is carried out in the most adequate conditions and in compliance with the contractual, voluntary or legal requirements.

Within Naturgy’s OHSMS, and as one of its key processes, the system used for identification of occupational hazards and risk assessment for the organisation’s employees has been defined through the corporate standard of identification, assessment and control of occupational risks. It sets out, among other issues:

- Guidelines for identifying hazards to which workers may be exposed.
- Methodology for risk assessment.
- Responsibilities associated with the execution of these processes and competencies of the staff involved.
- Participation of workers’ representatives.
- Frequency.
- Criteria for reporting results to employees.
- Criteria for review processes that ensure their effectiveness.

In 2023, a review of the occupational risk assessment standard was carried out to integrate all aspects related to gender-sensitive risk assessment and to reinforce references to psychosocial factors and risks integrated in the assessment processes.

To ensure that all the information identified in this respect is also passed on in an appropriate way to the rest of the group of “workers” (contractors, suppliers, visitors, etc.), a process is coordinated with the contractors to ensure that these workers receive the relevant information on the hazards and risks, as well as on the health and safety measures to be applied in performance of the activity. This minimises the risks associated with the contracted activities and ensures that their level of safety is the same as that of in-house staff.

This process requires 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.

In the case of workers who are hired through a temporary employment agency, the worker is informed prior to their effective incorporation about the risks associated with the work to be carried out and the centre where they will perform it, as well as the protection and prevention measures against these risks.

Naturgy has developed and implemented operational controls that ensure effective management of occupational risks, in accordance with the defined safety standards. The performance in 2023 of these inspection, monitoring and control mechanisms implemented in all business units was as follows:

**8,670**  
Preventive safety  
**observations**

**22,312**  
Documented occupational safety  
**inspections**

**5,976**  
Zero Tolerance **records** and  
preventive stoppages of work

**100%**  
**Investigation** of accidents and  
incidents that occurred

**Lessons learnt:** from the analysis of  
incidents and accidents, lessons  
learnt are drawn for the prevention  
of new cases.

**Safety contacts:** these are used as  
actions for the prevention of  
accidents from internal or external  
events.

### Innovation in safety management

Preventio, created within the scope of the electricity distributor in Spain, UFD, is a new intuitive and user-friendly tool for the integrated management of Personal Protective Equipment (PPE) and Collective Protective Equipment (CPE) throughout their life cycle, from acquisition to retirement.

Through this app, the worker (user) is able to manage and maintain their equipment in good working order in an agile and, above all, efficient way. Its functionalities include those aimed at:

- Receiving the equipment that has been purchased, leaving a signed record of the delivery by the user.
- Consulting the equipment available to the user in real time, as well as its general data, revisions/tests and associated technical documentation (delivery record, technical data sheet, etc.).
- Consulting which equipment is "Pending periodic review" (by the user) or "Pending regulatory review" (by a specialised company).
- Consulting the PPE/CPE that have passed the regulatory review date and that remain locked until this has been carried out with a correct result.
- Knowing which equipment is nearing expiration.
- Consulting the history of all the equipment received by the user.

This development is in line with the process of standardising digital process solutions available in the UFD Digital Work Space. The tool has been identified as a best practice and is being progressively rolled out to other businesses.

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.

The findings emerging from Naturgy's monitoring mechanisms and periodic review of hazards and risks are incorporated into the management system to ensure the effectiveness of its function. In this way, the various conclusions and proposals, together with other relevant information, are brought together in a global Naturgy-level system review report. All this is done as set out by management in the review procedure, which defines the methodology and responsibilities.

## Risk map and process safety management

[403-2]

Process safety is a necessary complement to occupational and industrial safety in order to manage all risks associated with the facilities and their operation. To this end, maintenance and verification programmes for regulatory compliance of facilities are carried out, in which special attention is paid to the compliance with 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.

This process is carried out by each business unit because they have the most accurate and up-to-date view of the risks in their facilities, which allows them to focus on the highest risk situations and thus prioritise actions aimed at:

- Maintaining:
  - Facilities in good condition.
  - A reliable service.
  - Operating license.
  - Good relations with authorities and community.
  - Reputation.
  - Creating value and employment.
  - An image of lower risk for investors.
  - Improving competitiveness, efficiency and costs.
- Avoiding:
  - Serious accidents and their consequences.
  - Material and equipment losses.
  - Environmental damage.
  - Interruptions in business operations.
  - Fines, penalties and compensation.
  - Costs of accident investigation and remedial action.

### Main risks and opportunities

Within the framework of the OHSMS, Naturgy has duly identified and assessed the main risks and opportunities in order to take actions to prevent the materialisation of risks and take advantage of opportunities that can help improve its performance and reduce negative impacts on the health and safety of workers.

This global analysis is complemented by the analysis of specific business risks, mainly aimed at guaranteeing the safety of people, the integrity of assets and the continuity of operations.

<b>RISK</b>	<b>CAUSES</b>	<b>ASSESSMENT*</b>	<b>ACTIONS TO ADDRESS</b>
Loss of homogeneity of the criteria supported in the Occupational Health and Safety Management System (OHSMS).	Business autonomy and lack of transversality of the OHS function.	Moderate	Enhance the activity and content of the H&S operational committee and safety competence centres.
Inadequate maintenance of the OHSMS	Lack of coordination resources.	Tolerable	Matrix, hierarchical and functional organisation, with definition of business and corporate roles.
Loss of preventive culture, ineffectiveness in achieving goals.	Generational change with the inclusion of groups not trained in the Health and Safety Commitment. Rotation and inclusion of new CCs.	Tolerable	Promote health and safety leadership courses for new hires. Strengthen communication and leadership actions on safety in the framework of the Action Plan 2024-2025. Meetings with contractors, with special focus on those newly awarded in order to pass on Naturgy's values.
Heterogeneity in the implementation and monitoring of OHS within the group.	Greater business autonomy in OHS	Tolerable	Strengthen the activity and contents of the H&S operational committee and the safety competence centres, and the transversality of the actions associated with the OHS function. Define model of cross-cutting activities that are governed by functional hierarchy and require specific business resources for their development.
Inadequate reporting of OHS indicators and performance (i.e. reliability of data, roles and responsibilities)	Organisational changes.	Tolerable	Strengthen the governance model, awareness of H&S reporting requirements and the development of tools to facilitate reporting and data integrity.
Non-compliance with any legal requirement on OHS.	High volume of applicable legal requirements.	Tolerable	Salem specific audit as a tool for identifying legal requirements. Greater weighting in internal and external audits of the aspects of verification of compliance with legal requirements. Compliance controls and Crime Prevention Model.
Accident rate increase.	Lower level of demand and safety monitoring at collaborating companies.	Tolerable	Action Plan 2021-2023. Regular monitoring of indicators. Red safety lines and disciplinary regime applicable to CCs.
Suppliers with high ESG risk	Subcontracting of high-risk operational activities	Moderate	Increasing the level of monitoring and control of subcontracted companies carrying out high-risk activities. Assessment of performance of CCs in health and safety issues. Documentary control and carrying out random OSH audits of businesses.

\* Risk assessment criteria as laid down in NT.00071

OPPORTUNITIES	ASSESSMENT*	ACTIONS TO ADDRESS IT
Consolidation of the safety model based on ISO 45001, certified in 2020 and in force since the same year, promoting greater coordination and synergy between businesses.	Optimal	IMS Audit Plan 2023. Tender for the external audit process. Reinforcement of the multisite model incorporating the improvements identified in the previous stage. Development and maintenance of an effective and efficient management system.
Collaborative work model based on competence centres comprising personnel from the different business areas.	Optimal	Enhance the activity and contents of the H&S operating committee. Consolidate the organisational model of prevention based on competence centres.
Reinforcement of the preventive culture based on new ways of working (digitalisation, risk perception, organisation-based safety etc.).	Optimal	Enhance the use of digital tools such as BI, Serious and Fatal Injury Precursor (PLGF), and applied innovation 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).	Normal	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.	Optimal	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.	Optimal	Keep OHS and Healthy Organisation certifications up to date. Develop a Power BI module to exploit audit findings.
Simplification of the Prosafety event module. Agility in communication, focus on relevant information and access to CCs.	Optimal	Implementation of the update of the Prosafety events module according to the revision of NT.00035. Mobility app for the initial reporting of events by the CCs.
Safety Action Plan 2024-2025..	Optimal	Approved by the Management Committee and focused on two priority objectives: <ul style="list-style-type: none"> <li>- Revitalising our Safety Culture through leadership and</li> <li>- Safety as a necessary contributor to operational excellence</li> </ul>

\* OPTIMAL: the opportunity can clearly help improve the performance of the OHMS. NORMAL: the opportunity and its impact on the performance of the OHMS must be analysed and actions implemented considering the costs, level of effectiveness and the scope of the measures of the organisation.

## Management and investigation of accidents and incidents

[403-2]

Investigating and analysing events is an essential action to carry out actions aimed at minimising risk situations and thus improving safety and reducing accident rates. In 2023, incidents and accidents have been analysed and investigated and proactively reported throughout the organisation.

The basic criteria for the identification, treatment and investigation of the causes of accidents and incidents are defined in the standard "Process for reporting, investigation and follow-up of accidents and incidents". They are also included in the procedure "Management of findings of the integrated management system", when deviations are identified in the processes or non-conforming products and/or services are detected.

The investigation process starts as soon as the event becomes known. The persons in charge of the investigation, in order to know the circumstances in which it occurred, collect physical evidence and gather information, which is complemented by interviews, review of procedures, tests or analyses deemed necessary.

The purpose of the investigation throughout the process is:

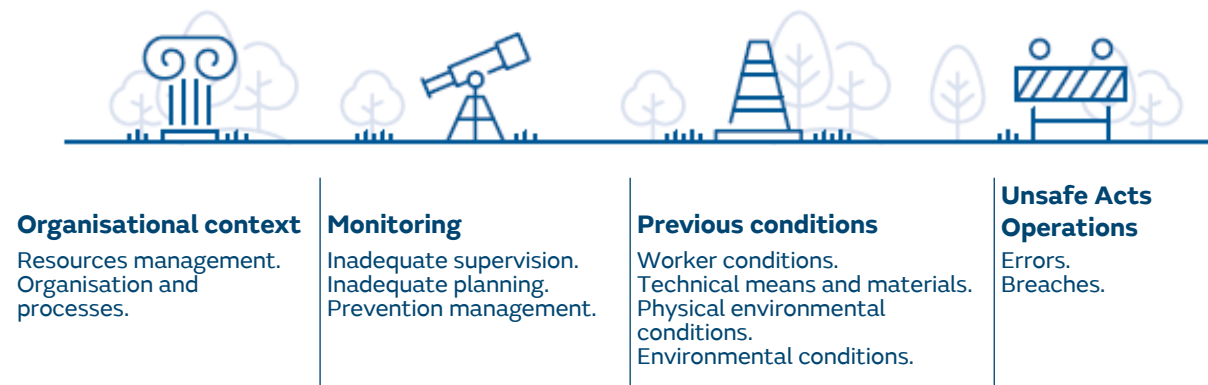
- Identify the causes and contributing factors of the accident/incident: why.
- Identify, if appropriate, actions to be taken to reduce the risk of the event happening again: learning.



The processes of investigation involve participation by the workers' line managers, those responsible for the activity, process or facility affected, workers involved, workers' representatives and any other person who can provide relevant information to determine the causes that produced the event.

To facilitate the first purpose, Naturgy has a unified incident investigation system whose model is based on root cause analysis and optimised according to existing best practises and the HFACS (Human Factor Analysis Classification Scheme) methodology.

The model pivots on the following action areas:



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.
- Enable root-causes to be reached through gradual reflection.
- Discriminating between responsibilities and analysing 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 learning, any finding arising from research feeds into the risk assessment, so if the need for review is detected, the reasoning behind it will be recorded. The corrective and preventive actions defined are also reported, with the aim of restoring compliance as soon as possible in order to minimise their consequences and avoid recurrence.

During 2023, implementation was completed at all levels of “Potential Serious Injury or Fatality (PSIF)”, a tool that helps to identify the main impacts associated with the occurrence reporting process (accidents - incidents). A total of 276 events (64 accidents and 212 incidents) have been classified as PSIF, which represents 7% of the total number of events reported and investigated in the year.

	<b>2023</b>		
	Accident	Incident	Total
Confined spaces	0	3	3
Mechanical handling of loads	2	15	17
Electrical risk	12	26	38
Road safety	22	59	81
Felling and pruning	1	4	5
Working at heights	3	11	14
Other risk factors	24	94	118
<b>Total</b>	<b>64</b>	<b>212</b>	<b>276</b>

This new concept entails a change in the analysis and monitoring of accidents and incidents, the main negative impact of Naturgy's activity on people. Its investigation process is even more exhaustive and control measures that act on these precursors, eliminating them or reducing their impact, are implemented rapidly.

#### ▪ Accident indicators

[403-9], [403-10] and [IF-EU-320a.1]

	<b>2023</b>			<b>2022</b>		
	Total	Men	Women	Total	Men	Women
No. of recordable accidents (No. of employees)	13	10	3	12	11	1
No. of lost time accidents (No. of employees)	9	7	2	8	7	1
No. of accidents with serious consequences (No. of employees)	1	1	0	2	2	0
Mortality rate	0	0	0	0	0	0
Recordable accident frequency rate (TRIR)	0.19	0.22	0.13	0.17	0.24	0.04
Lost time accidents frequency rate	0.13	0.00	0.00	0.12	0.15	0.04
Frequency rate of accidents with serious consequences	0.01	0.02	0.00	0.03	0.04	0.00
Lost time accidents severity rate	5.62	7.71	1.52	5.66	8.00	0.00
Near miss frequency rate (NMFR)	9.35	nd	nd	5.76	nd	nd
Death frequency rate	0	0	0	0	0	0
No. of hours worked <sup>(1)</sup>	13,627,880	9,021,717	4,606,163	13,848,217	9,311,143	4,537,073
Occupational illnesses	9	9	0	1	1	0

<sup>(1)</sup>The international criteria of the American Gas Association has been used to calculate hours worked, which establishes 1960 hours per employee per year.

During 2023 and following an assessment process, 9 workers in Argentina with hypoacusis have been classified as occupational diseases by the competent administration of the country.

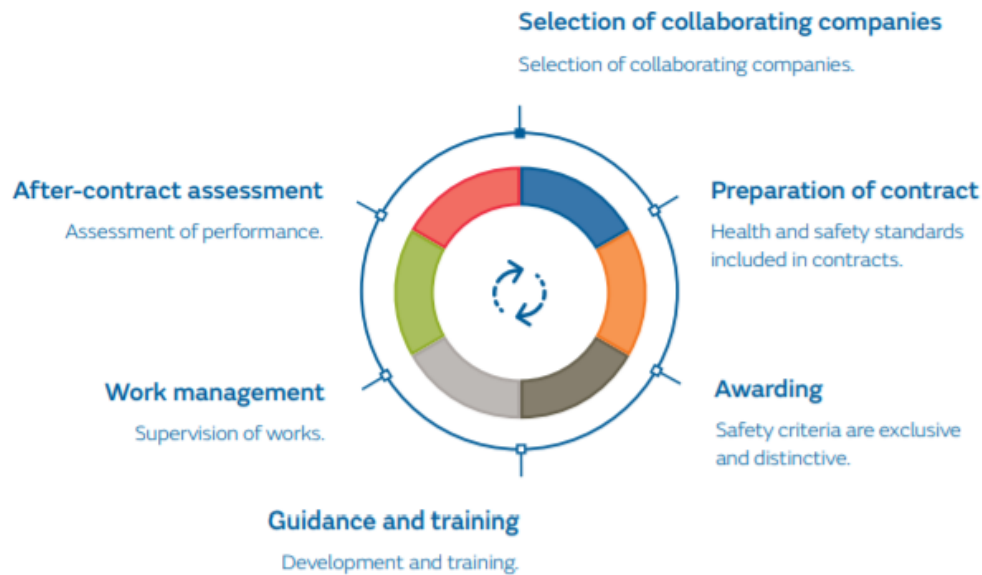
There have been no deaths associated with an occupational illness or disease of employees of the Company. There is also no record of any occupational illness or disease of staff of collaborating companies.

#### Prevention of risks at collaborating companies: suppliers, contractors and subcontractors

Naturgy requires strict control by the CCs of the critical factors related to the most serious accidents. The following guidelines are applied to ensure this level of stringency and thus significantly reduce the accident rate in the CCs:

- They are not invited to the selection process if they do not meet the health and safety requirements.

- They can be disqualified if they do not meet the contractual safety and health requirements.
- Priority for employee training: demand of individual training certificate, verification of legal accreditations when required.
- Application of a sanctions regime if non-compliance is detected.



Having completed the implementation process carried out in 2022, Naturgy has already integrated into its safety management model, in the positive metrics section, two tools that improve the safety proactivity of collaborating companies:

- **Proposals for improvement of health and safety (HSP):** initiatives or improvement actions proposed by any person of Naturgy or its CCs to improve the safety of any process or activity. During 2023, 539 HSP have been presented and accepted with an impact on different business areas and which, after undergoing a process of analysis, assessment and implementation, generate a significant positive impact on the improvement of the safety of processes and activities.
- **Safety work stoppages tool:** any worker, whether they work at the company or at one of our CCs, may stop or not complete any activity in which they have detected situations of risk not foreseen in the established risk identification procedures. Its communication is included in the positive metric that recognises the safety proactivity of the CCs and generates a positive impact on the reduction of risk situations whose continuity or persistence over time could end up generating an accident affecting people. A total of 1,763 safety shutdowns were carried out in 2023.

▪ **Accident indicators of contractors**

[403-10]

	2023	2022
No. of lost time accidents	88	71
Days lost due to lost time accidents	2,743	3,235
Deaths	1	1
Lost time accidents frequency rate	0.35	0.31
Lost time accidents severity rate	10.73	13.95

The fatal accident in 2023 occurred during the company's electricity distribution activities in Panama. During the tensioning of a medium-voltage overhead wire, the safety wire came loose, causing the support on which the worker was standing and tied to to break, thus making the worker fall. The accident investigation process has defined different actions to be implemented both locally and transversally in all businesses involved in electricity distribution to try to avoid similar accidents.

The Action plan 2024-2025 maintains and reinforces actions aimed at consolidating the reduction of fatal accidents in collaborating companies and achieving the target of zero fatal accidents in Naturgy activities.

## Safety among customers and society

One of Naturgy's fundamental commitments is the safety of people, involving not only employees but also suppliers, CCs, customers and other stakeholders, minimising the negative impact that its activities may have on the communities and geographical areas in which it operates.

With regard to customer safety, Naturgy establishes and maintains effective communication channels with its customers concerning:

- Information concerning the product/service, and its safety.
- Service Level Agreements.
- The consultations, contracts, handling registrations, cancellations and modifications.
- Customer feedback, including complaints.
- Incident management.
- Protocols for action in emergency situations/contingency actions.

These communication channels, especially the complaints and claims channel, provide very useful information to improve and increase satisfaction levels of customers in their relationship with Naturgy.

As for the dangers and risks of the products or services commercialised or provided, 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. For this purpose, a complete verification is carried out to ensure that what is purchased by the customer meets the standards of quality, safety, health and well-being of people, in addition to complying with the safety of the facilities.

## Training and communication

[403-5]

Naturgy has designed training itineraries aimed at training workers on occupational hazards and the application of the necessary safety measures for the performance of their work. 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.

Employee health training has been geared towards empowering staff to deal with day-to-day stress and has focused on mental health care through courses on managing emotions and mindfulness.

In 2023, more than 42,968 hours of training have been carried out in Occupational Risk Prevention and Health. This intense training activity has a very positive impact on improving the safety performance of the Group's workers.

As a novelty, and to improve compliance with the annual occupational health and safety training planning, a Power BI module has been developed and made available to all managers with personnel under their responsibility. The module allows them to quickly and intuitively monitor the training carried out and pending for their entire group, which has led to a significant improvement in attendance ratios and in the achievement of overall training objectives.

## Training of collaborating companies

Naturgy provides CCs with all the necessary learning to promote the health and safety culture that exists throughout the company. This is why courses specifically aimed at CCs are facilitated through the Corporate University.

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

## Dissemination

[403-4]

Within the framework of Naturgy's commitment to health and safety, the dissemination of its own and other people's events, learning and good practices occupy a prominent place on the intranet platform. The content of this dissemination is reaching contractor companies through the businesses.

At the same time, Naturgy promotes external dissemination actions aimed at improving the safety of the environment in which it carries out its activity, where the following activities are particularly important:

- Participation and leadership in national and international sector-specific and safety forums.
- Participation in a research project for the creation of a new psychosocial assessment instrument together with entities of the competent administration and 40 companies of recognised prestige.
- Collaboration with public administrations in safety awareness campaigns.
- Active sponsorship of safety conferences in the gas and electricity sectors.
- Promotion of sectorial accreditation models.
- Promotion of forums for the exchange and dissemination of best practices with collaborating companies.
- Carrying out joint safety meetings with collaborating companies.

## Comprehensive health

[403-7]

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make available to employees, their relatives, CCs, customers and the social environment in which the company operates, a global, health and well-being 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.

For yet another year, the unit has received new awards for its work to improve well-being in the company. Specifically, in 2023 it received recognition for its health and well-being strategy, programmes and indices. It was awarded the first prize in the Top Well-being Business Plan category at the Human Digital Health Summit, a benchmark event in Spain in terms of health and well-being.

Along these lines, a health monitoring protocol was developed in 2023 to systematise the detection of anxious-depressive symptoms in employees. This protocol has several levels of action in the event of problems and provides the employee with psychological support if necessary. The systematisation of the protocol will be deployed in 2024, but since the pandemic, the psychological support services had already been offered to the first cases detected.

## Master Health Plan

This plan defines the strategic guidelines and establishes the general framework for action of Naturgy in the field of health care, ergonomics and psychosociology. The responsibilities under the plan correspond to each and every one of the business areas and countries within the Group. In addition, comprehensive medical and health assistance services act as advisors for the development, monitoring and control of the plan in each of the areas.

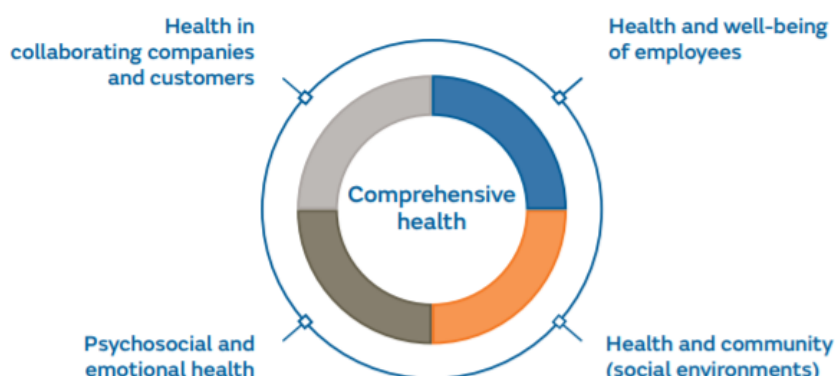
### Master Health Plan targets

<b>Standardised actions</b>	Ensuring the health of workers, developing standardised actions and respecting differences inherent in each country.
<b>Compliance with regulations</b>	Monitoring compliance with the relevant regulations to each area in the field of health.
<b>Development of activities by external collaborators</b>	Coordinating the development of activities by external collaborators and establishing monitoring and control measurements.
<b>Definition of indicators</b>	Defining the indicators necessary to assess the implementation and development of the Master Health Plan, as well as all of the involved activities.
<b>Lifelong learning</b>	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 [403-3]

The Comprehensive Medical and Health Assistance Unit is formed by a multidisciplinary team, whose function is to guarantee the health and physical, psychological and social well-being of all workers, carrying out a set of activities related to health monitoring, ergonomics and applied psychosociology and the promotion of health beyond the workplace.



Every year, this unit defines lines of action and sets out the general framework for Naturgy's activities in the field of health, which it applies to all business areas at national and international level and ensures that processes and actions are carried out in a uniform way, respecting the inherent differences of each country.

This plan is implemented through the following lines of action:

- Integral health care in the workplace.
- Support for persons suffering from common illness and accidents.
- Preventive campaigns to combat the most prevalent diseases.
- Management of individual aspects of person-position interrelationship considering both the special sensitivities of the workers and the ergonomic needs.
- Prevention of psychosocial conflicts and promotion of psychological well-being.

As well as in three support or transversal axes that are:

- National and international coordination.
- Integrated management.
- Training and communication.

To guarantee the organisation and quality of Naturgy's employees health services, the company's objectives to improve the standards of occupational health services are reviewed each year and an action plan is drawn up on the basis of indicators.

Naturgy's medical services coordinate the activity of external prevention services, transferring the guidelines to be followed in terms of preventive campaigns, to manage health campaigns and Health Surveillance homogeneously for the whole territory. Each medical service is assigned a territorial area of influence to provide a response and solution to all incidents that arise, both in the performance of examinations and campaigns at the facilities of external collaborators. Employees have at their disposal the employee care service, which collects their doubts and incidents and passes them on to the Naturgy medical service responsible for their resolution by means of intermediation with external collaborators.

The Medical Assistance and Integral Health Unit systematically proceeds to the identification and analysis of any health-related aspect that may be susceptible to being taken into account.

Likewise, these activities are included in the annual process of internal and external audits of the integrated management system, as well as the audit of the Healthy Organisation certification (formerly known as Healthy Company). This is in addition to the company's own audits for accreditation with official bodies.

The integrated management system undergoes an annual review, so that its validity is ensured and its adaptation to Naturgy's Corporate Responsibility Policy is maintained. Other documentation, such as the results of internal and external audits, the results of process performance and the monitoring of area goals, are also taken into account for updating.

In addition, the Medical Assistance and Integral Health area monitors this activity and evaluates the results and impact achieved using several quantitative and qualitative methods and indicators. Among other things, the number of medical examinations, the number of injuries that are precursors to serious illnesses detected in time, staff participation in the campaigns, absenteeism rates, the number of psychosocially evaluated posts, the interventions carried out in this regard, the number of posts with ergonomic evaluation, ergonomic actions carried out at the request of workers, etc., are counted and evaluated.

### Psychosocial assessment

During 2023, Naturgy has carried out a global psychosocial assessment process, adapted to the reality of the company and the changes in the environment. The company's psychosocial model has evolved to adapt to new emerging risks and forms of work organisation (teleworking, digitalisation of processes, cyber-bullying, diversity, equality, gender perspective, etc.) to improve health and well-being within the organisation. This has been done following these principles:

- Integrating all the areas involved in fostering, promoting and executing, from an integral perspective, creativity and innovation with actions associated with the resolution of psychosocial problems.
- Using communication as a key element in strengthening a unique culture of safety and creating healthy environments.

- Identifying and enhancing leadership and designing training programmes that include tools for good management of psychosocial factors.
- Promoting the participation and consultation of workers for the coordination of joint actions.
- Including the prevention of psychosocial factors in the different processes that determine the organisation of work.

## Healthy Organisation Model

[403-1] and [403-8]

In 2023, continuing and enhancing the Healthy Organisation Model certified in 2022, Naturgy has evolved its management system to a model with a high-level organisational structure, reflecting its commitment to existing international principles and recommendations. With the ultimate aim of continuously promoting and protecting the health, safety and welfare of its own employees, their families and the various communities where the company operates, with the participation of all stakeholders.

During the certificate validity period, AENOR conducts annual follow-up audits of the Healthy Organisation management system, to check whether it is being effectively implemented and whether the conditions that gave rise to its concession are being maintained.

The scope of the international implementation of this model extends to Argentina, Brazil, Chile, Mexico and the Dominican Republic. In addition, on the international stage, work has been carried out on the implementation of the Healthy Organisation Model in the Naturgy Integrated Management System, using the Enablon tool and a new format of the Management Review Report to manage its activity.

### Workers' access to information about health issues in the company

Naturgy facilitates access by workers to all information about health topics in the company. Health managers apply a policy of personalised and committed attention to those health and well-being issues that, depending on the country, require both the attention of health professionals and the individual and collective awareness of workers. This policy extends to the family level.

The company's commitment to health and well-being also extends to other stakeholders such as customers and the communities where it operates, as shown, for example, by the energy and environmental volunteering actions and the company's commitments included in its strategic plan for actions to protect the environment and reduce its carbon footprint, among others.

Various channels of communication with members of the integrated health team are made available to employees:

- **Employee Care Service (SAE).** Employees access health services directly after the appointment request that is given through the employee care service. This service serves to directly resolve questions and requests in this area.
- **Communication.** An important effort is carried out to strengthen the culture of health and well-being of the company through awareness and communication, with the aim of educating 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 well-being of the employees is also the well-being of those around them. During 2023, this channel has been used on a daily/weekly basis in order to convey to employees the most relevant aspects.
- **Training.** The health model implemented has led Naturgy to promote the contents as part of the Group's Corporate University, incorporating and developing the key training itineraries for this purpose.
- **Intranet.** Employees can access the comprehensive contents of the intranet on different subjects to care for their health: nutrition, mindfulness, or prevention of musculoskeletal injuries, among others.
- **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

[403-6]

The health model approach, described in the previous point, is supplemented by a series of additional campaigns and actions, going beyond mere legal compliance and work-related health, and directly impacting on individual aspects of workers that could pose a risk to their health.

These campaigns and actions seek to increase personal, physical and emotional well-being, and to combat risk factors and health stressors, resulting from a contemporary lifestyle and habits, encouraging Naturgy workers to enjoy an active and healthy ageing. All information regarding these campaigns is updated and available to all employees on the intranet.

The year's planned actions are also disclosed together with the Annual Health Plan at the first Health and Safety Committee of this year, in which the plan is put forward for consultation and in which the workers' representatives participate. This information can be consulted on the organisation's prevention portal.

The most relevant actions carried out in this area are:

- Promote greater awareness and encourage self-responsibility as a pillar of living a healthy life.
- Raise awareness of positive habits and behaviours for the health of all people.
- Empowering workers to take care of themselves and their families' health, as well as to act as influencers in their social environment by providing them with continuously updated knowledge.

As regards employees and workers who are not employees but whose work or place of work is controlled by the organisation, Naturgy transfers its own protocols and procedures to external prevention services to provide suppliers with lines of action in the event of health problems that they can follow as a reference. In this way information flows both among its own and external workers and in the community in which the Naturgy Group operates in the different countries.

### Prevention campaigns and health promotion

Naturgy offers its employees a series of prevention and health promotion programmes through voluntary campaigns by the medical services. These campaigns are offered during medical examinations and are aimed at the most relevant health problems in the areas where Naturgy operates.

Campaigns as important as secondary prevention of cardiovascular risk, campaigns for the detection of pre-cancerous lesions (colon, prostate, gynaecological, or lung, in which Naturgy is pioneer, etc.), haematological or ocular diseases, are made available to employees.

Primary prevention is also present through vaccination campaigns (flu and communicable diseases such as tetanus or hepatitis) and primary prevention of cardiovascular risk campaigns: anti-smoking and addiction campaigns, management of overweight, diabetes and obesity, etc., in order to reduce the presence of risk factors for foreseeable diseases.

The actions of the health services in prevention campaigns and comprehensive health promotion activities consist of:

- Design, coordinate and disseminate actions aimed at preventing the onset of diseases (primary prevention) and/or detecting and neutralising diseases at an early stage, reducing their consequences and improving their prognosis (i.e. detection of pre-infarct cardiac alterations, detection and removal of pre-cancerous lesions such as colon polyps, as well as facilitating the rehabilitation treatment of minor muscle injuries to prevent their progression).
- Design informative campaigns on healthy lifestyles in order to train workers to improve their health and that of their families, as well as that of the communities where they live owing to its influence.

- Promote campaigns aimed at supporting the communities in which the Group operates.
- Assess the effectiveness of these campaigns with the results obtained annually.
- Furthermore, professionals in the health area collaborate with the social benefits function in the optimisation of employee health insurance (review of health coverage and advice on updating the medical directory).

The company is aware that health campaigns have to be adapted to the needs of the moment. It has therefore designed a nutrition campaign in 2023, with a view to completing its deployment in 2024, to combat one of the most relevant risk factors for cardio-vascular disease such as being overweight or obese, but also to guide employees in organising their teleworking meals in the healthiest way possible.

In 2023, fruit corners have been implemented in the company canteens, where a variety of fruit is made available daily for consumption throughout the working day to the staff of both Naturgy and collaborating companies that render their services at Naturgy buildings.

## Absenteeism

### ▪ Total lost hours

	<b>2023</b>	<b>2022</b>
Spain	186,706	196,071
Chile	34,389	62,024
Argentina	26,312	45,528
Brazil	10,041	7,882
Costa Rica	64	288
Mexico	9,372	13,016
Panama	2,388	4,037
Dominican Republic	2,596	2,256
<b>Total</b>	<b>271,868</b>	<b>331,102</b>

The rate of absenteeism due to temporary disability is a very relevant indicator of the state of health of the working population. In 2023, the rate of absenteeism due to temporary disability in the company was 1.83% and in Spain 2.38%, showing a decrease with respect to 2022 in both figures and keeping both rates below 3%. These figures are lower than those recorded in the population of Spain in 2023.

## 09. Innovation and new business development

### Naturgy's contribution to the SDG



Naturgy conceives innovation as an indispensable tool in the development of new energy solutions that enable progress in the energy transition and combat climate change. and evolve towards technological solutions that promote the simplification of processes, cybersecurity and data management, with digitisation also being a fundamental pillar for achieving the company's objectives.

Accordingly, the company's innovation model is designed to weave collaborative networks with the ecosystem to respond to the complexity of the environment and solve challenges in an expeditious and effective way, focused on the digitalisation of processes and services

The model is based on the following pillars:

- **Innovation is collaborative and open**, able to respond quickly to signs of change in the environment and evolve in complicated scenarios, able to transform mistakes into learning, and forecasting the future by understanding the past and observing the present.
- **Innovation is a key lever for growth** as it enables the incorporation of new or better practices, new business models and technological solutions that contribute towards digitalisation, automation and optimisation of processes, guaranteeing safety, operational improvement and facilitating access to information for better decision making. All this in order to place the customer at the centre to provide value-added and sustainable solutions and ensure the company's long-term competitiveness.
- **The generation of renewable gases such as renewable hydrogen or biomethane** for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediately decarbonising solution in intensive industry or transport. It also has great potential in energy storage and integration of energies. Similarly, biomethane is an existing technology that allows for the substitution of natural gas without the cost of abatement to adapt infrastructures or equipment, and is a clear example of circular economy by producing a renewable gas from organic waste.
- The **optimisation of renewable energy generation** through innovative systems due to their improved energy efficiency and their ability to be integrated into the environment with lower costs or greater reliability. This promotes the entry of new agents into the system and the coverage of part of the energy needs of households, SMEs and public administrations.
- The **direct use of energy** through new manageable electricity consumption that provides flexibility, for example, in air conditioning, as well as through storage for later use.
- The **response to increasingly fragmented markets**, with small, flexible competitors, both commercial and generation, with renewable developments closer to customers and smaller in size.

To achieve the goals set, Naturgy has deployed a set of innovation tools based on the search for opportunities - acceleration and investment in operations - and the deployment of a portfolio of projects to broaden the company's industrial profile; incubator of start-ups, investment vehicle, etc.

The challenges presented by the energy transition represent an important business opportunity. Under this premise, and within the framework of the Strategic Plan 2021-2025, Naturgy is developing an extensive investment programme in renewable energies and in the development of new lines of business in areas such as renewable gases or storage.

In addition, the NextGenerationEU funding programme and its application in Spain through the Recovery, Transformation and Resilience Plan represent a clear funding opportunity to respond to the country's main challenges over the next decade.

Two of these main challenges are the energy transition and digital transformation, both cornerstones of Naturgy's Strategic Plan. The company wants to be a key player in accelerating transformation in a sustainable and inclusive way, through innovative and competitive projects that have a positive impact on the environment and society.

Within the framework of the recovery programme, Naturgy has presented projects in the following areas:

- **Renewable gases**, mainly for the development of H<sub>2</sub> and biomethane production projects, with a model based on the development of hydrogen valleys and their interconnection and adaptation to the gas network.
- **New renewable generation technologies**, such as offshore wind power, or the development of energy storage systems, to favour the integration of renewable energies and lend flexibility to the system.
- **Digitalisation**, including projects to digitalise the company's electricity grids, improvements in the operation and maintenance of renewable generation infrastructure, and systems for participation in electricity markets, as well as cross-cutting projects related to data and cybersecurity.
- **Energy efficiency**, for the development of efficiency solutions and the promotion of self-consumption by industrial, tertiary and residential end customer. The projects proposed focus mainly on innovative solutions for shared self-consumption, accompanied by social measures that integrate training and rehabilitation, promoted by the Naturgy Foundation.
- **Just Transition**, to promote solutions that guarantee employment and the creation of activity in the territories affected by the closure of coal-fired power stations, projects for new renewable electricity generation plants and renewable gas plants have been proposed at Just Transition sites.

## 1. Innovation and new business development in 2023 at Naturgy

### Evolution and results

- **Investment in innovation**

Innovation investment and expenditure (€M)	2023	2022
Open innovation and technological innovation Totex	84.5	75.4

### Highlights of the year

- Naturgy and Greene have formed a partnership to, over the next two years, develop a methanation technology to obtain bio syngas from syngas or synthesis gas for injection into the distribution network or for mobility. In this way, the first plant in Spain will be developed with the aim of converting solid urban industrial waste into renewable gas.
- Through its GiraWind project, Naturgy promotes, together with Ruralia, Postelétrica and Huso 29 renovables, the management of wind farm dismantling and the recovery of dismantled turbines. In 2024, GiraWind has obtained public funding to boost its activity, within the Recovery, Transformation and Resilience Plan for innovative wind turbine blade recycling facilities, with a target of recycling 1,500 tonnes per year.
- Naturgy, together with the Catalonia Institute for Energy Research (IREC), continues to develop new methanation technology. After obtaining positive results in the laboratory, it has launched a pilot project to produce renewable gas from organic waste and green hydrogen at the landfill located in Mas de Barberans (Tarragona).
- Development of the group's Cybersecurity Plan 2023, which implements new strategies and initiatives for the transformation of cybersecurity in Naturgy in a context where it is a priority to continue strengthening the measures already taken in previous cybersecurity plans and maintaining proactivity in the face of new threats.

## 2. Innovation tools and technology monitoring

### Forumtech

Technology monitoring and competitive intelligence take place through Forumtech, involving over 140 people from the various business units and corporate areas. These groups, which have a markedly collaborative nature, share and analyse information with a comprehensive vision, bringing together the areas of: 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.

### Scouting and Open Innovation

During 2023 Naturgy received and analysed more than 300 opportunities for collaboration, mainly due to the work of scouting of start-ups where the company combines collaboration with the leading international scouters and active internal search. In addition, Naturgy actively participates in initiatives with other corporations in the search for solutions to joint challenges.

### Connecting Energy

This year Naturgy has consolidated its start-up incubation programme for start-ups, successfully closing the second edition and launching the third edition in September. The programme enables Naturgy to make the knowledge and talent of its employees available to the entrepreneurial community, promoting the creation of new companies. Eleven projects are currently being developed, with the support of a team of about 50 Naturgy professionals, including mentors and specialists. Incubation allows the company to be a part of the development of new business models and knowledge of new technologies, strengthening ties with the entrepreneurial ecosystem.

### Innovahub powered by Naturgy

In 2023, Innovahub already participated in innovative third-party projects promoting the execution of pilots of innovative technologies created by start-ups, validating technologies in an industrial environment and helping to consolidate the business projects that generate them.

In a second line of activity, Innovahub is the vehicle for testing new business models through the creation of new companies with third parties, in the form of a venture builder.

### Technological innovation

Technological innovation in Naturgy is based on three basic principles of action: simplification of processes, data orientation and 'Cloud first/Digital first' strategy; all under a cybersecurity strategy to ensure a resilient organisation to risks and threats.

In 2023, the company has continued to work on these lines of action, and the following projects stand out:

- Development of projects aimed at accelerating information management towards the cloud and the Cloud First strategy, which offers different businesses greater flexibility and scalability in the IT environment. This strategy fosters innovation, provides access to the latest technologies and improves efficiency in the development of digital applications.
- The Cybersecurity Plan 2023 project implements new strategies and initiatives for the transformation of cybersecurity in Naturgy, with structural measures both in processes, people and security technology in response to the increase in the sophistication of cyber threats, the proliferation of the exploitation of vulnerabilities, the sharp increase in the market for credential theft and attacks with double and triple threats to companies. All this takes place in a context where it is a priority to continue strengthening the measures already taken in previous cybersecurity plans and to be proactive in the face of new threats.

### 3. Outstanding projects in innovation

#### Greene

Naturgy and Greene have formed a partnership (W2BM) to develop a technology over the next few years to obtain renewable gas from synthesis gas for injection into the distribution network or for its use in mobility, which represents a new way to produce low-carbon gas. This is the first project of its kind in Spain for the production of synthetic bio-natural gas from the material recovery of industrial waste that is difficult to manage, thus making an important contribution to the circular economy.

During the first phase of development - including the laboratory and experimental stage, as well as the design, assembly and operation of a pilot plant - the conversion of syngas to low-emission syngas through a biological fermentation process that maximises biomethane concentration and reduces syngas conditioning needs is being investigated. This includes the construction and operation of a pilot plant located in Elche (Alicante), with a capacity to produce 2.4 kg/h with a purity of over 95%.

After that, in a second phase of the project, an industrial-scale plant will be built with a treatment capacity of 45,000 tonnes/year of waste to produce around 6,200 tonnes/year of synthetic bio-natural gas, a consumption equivalent to that of more than 35,000 homes in Spain.

#### Wildfire

Naturgy and the Australian company Wildfire have reached an agreement to research and develop a novel gasification technology to obtain high quality green hydrogen from the thermochemical treatment of a wide range of dry municipal and agricultural waste.

With this collaboration, Wildfire will operate a pilot plant in Brisbane, Australia, for the production of hydrogen for use in any application, including mobility. For its part, Naturgy will use its experience in renewable gas projects to validate the process and ensure its scalability at industrial level, with the aim of studying its implementation in Spain and Europe.

#### UniSieve

Naturgy and the Swiss company UniSieve have started a collaboration to develop and validate novel gas separation membranes with MOF technology for use in the biomethane upgrading or enriching process. Naturgy will use the experience gained in renewable gas projects to validate the advantages of these membranes and ensure their industrial scalability.

#### Sakowin

Naturgy and the French company Sakowin have reached an agreement to develop a pilot plant for a novel technology owned by Sakowin to produce hydrogen from natural gas. It is a technology based on plasma pyrolysis of natural gas that allows modular hydrogen production without the use of a catalyst. The technology captures carbon in the form of solid carbon avoiding CO<sub>2</sub> emissions, which can even have a high value-added in certain markets.

The development of this technology makes it possible to use existing gas infrastructure and produce hydrogen wherever it is needed from natural gas or biomethane. Naturgy, together with Sakowin, will pilot the first commercial-scale module of this 100kW technology, producing approximately 4.5 kg/h of hydrogen, equivalent to the output of a 250kW electrolyser. The pilot is scheduled to start in the first half of 2025.

#### Sempre-Bio

Naturgy participates in the European project Sempre-Bio, co-financed by the Horizon Europe programme of the European Commission, with the aim of testing and demonstrating new cost-effective ways to produce biomethane that facilitate compliance with the Green Deal.

The project consortium, led by Cetaqua, the Water Technology Centre in Barcelona, is an international consortium made up of companies, research centres and universities from Spain, Belgium, France, Norway, Denmark and Germany.

To achieve its goal, Sempre-Bio will create three innovation ecosystems in which, through co-creation processes, specific solutions will be proposed for each of the scenarios representative of the different situations existing in Europe with regard to biomethane production. In particular, five innovative technologies will be tested, which will contribute to diversifying the conversion technology base for biomethane production, and their replication in other facilities will be encouraged.

On the other hand, an exhaustive technological and economic assessment will be carried out to demonstrate the benefits of these solutions compared to conventional technologies, where Naturgy will have an important participation.

### Nextfloat

Naturgy participates in an international consortium to promote the industrial and competitive development of offshore wind energy in Europe. The NextFloat project will implement and test an innovative 6 MW floating wind power system in the Mediterranean Sea, off the coast of France (Mistral), to test its scalability and future commercial development.

The project has been supported by the European Union and will be funded with Euros 15.9 million by the Horizon Europe programme.

The prototype uses a disruptive technology that aims to make the floating platform on which the wind turbine sits lighter. It also includes a patented system, "PivotBuoy", which will allow the platform to passively orient itself to the wind, thus maximising its energy efficiency and minimising the impact on the seabed thanks to its "TLP" mooring system.

Naturgy will spearhead tasks related to the socio-economic study of the project, the environmental viability or the commercial exploitation plan of the technology. In addition, it will be in charge of the project's communication strategy.

### GIRA Wind

Together with Ruralia, Postelétrica and Huso 29 renovables, Naturgy promotes the management of wind farm dismantling and the recovery of dismantled turbines. The initiative is primarily aimed at inspecting and overhauling turbines that have been in service for years, both as a whole and in the form of spare parts. Secondly, the processing of components that are not fit for further use, but which can be second-life raw materials.

The project is based on an experimental plant in Almazán (Soria), where various technologies and processing lines will be tested. Subsequently, plants will be deployed in different locations, with the aim of maintaining a close relationship with the territories and their local agents.

During 2023, the different lines of processes were designed, making progress in the agreements with technological partners and research teams. In addition, public funds have been obtained within the framework of the Recovery, Transformation and Resilience Plan for innovative wind turbine blade recycling facilities, with the target of recycling 1,500 tonnes per year. Finally, planning for the decommissioning of the first three customer windfarms has started.

### Second phase of the renewable gas mixed unit project

Research project developed by Naturgy, the EnergyLab Technology Centre and Edar Bens (A Coruña). Funded by the Galician Innovation Agency (GAIN), it is financed by the European Union within the framework of the Galicia ERDF Operational Programme 2014-2020 for renewable gases research.



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. Research into other renewable gases such as green hydrogen and bio-syngas will make it possible to assess their impact on current infrastructure and end consumption points.

In the course of 2023, two electrolyzers with a total capacity of 70kW, one alkaline and one PEM, and a hydraulic turbine were installed, which makes use of the energy from the treated water flow. The hydrogen produced is used for further methanation tests. The laboratory has advanced tests on the improvement of biogas production through co-digestion and nutrient recovery and biohydrogen production through dark fermentation.

### VAutosin

Naturgy participates with the Catalonia Energy Research Centre (IREC) in a research project on the catalytic methanation process consisting of the synthesis of methane from carbon dioxide of biogenic or reused origin, and hydrogen of renewable origin. The approach stems from the experience gained in the previous CoSin project.

This project aims to rethink the current methanation technology by means of a novel reactor concept which, if successful, would allow a reduction of auxiliary equipment as well as a decrease in energy consumption, improving energy balances and economic cost.

This year Naturgy and IREC have launched the first pilot to produce renewable gas with this technology in the controlled landfill of Mas de Barberans (Tarragona). Experimental operation of the plant is underway to validate the technology developed and its business model.

### Zeppelin

Naturgy participates in the Zeppelin project, which aims to investigate a flexible set of technologies for the production and storage of green hydrogen by alternative routes to water electrolysis. It develops technologies based on the use of waste and by-products, seeking to improve production costs and efficiency.

This project addresses the different technological challenges linked to biogas and bioethanol reforming, dark fermentation, microbial electrolysis, gasification and H<sub>2</sub> storage, establishing new models for obtaining green hydrogen complementary to electrolysis with renewable energies, integrated into a decarbonised energy model under the principles of the circular economy and digitalisation.

Naturgy is leading the research and optimisation of H<sub>2</sub> production from thermochemical techniques, for which it is studying the gasification process from waste and the separation and purification processes of H<sub>2</sub> and syngas. This year, an experimental gasifier has been commissioned at Energylab's facilities and the test programme has started using mixtures of lignocellulosic waste together with WWTP sludge to study the optimal process conditions in terms of syngas quality (feed rate, temperature, gasifying agent, use of additives, etc.).

In addition, this year saw the design of a sorption enhanced water gas shift (SEWGS) that will be built and integrated into the plant to purify the syngas-to-hydrogen stream.

The Zeppelin project consists of a consortium of eight companies and has a duration of approximately 38 months, with completion expected in early 2025. It is subsidised by the Centre for the Development of Industrial Technology (CDTI), within the framework of the 2021 call of the Science and Innovation Missions Programme (Recovery, Transformation and Resilience Plan). The project is funded by the European Union through the Next Generation EU Fund.

### Sungreen

Naturgy will promote disruptive green hydrogen production technologies by means of a novel electrolysis technology in collaboration with the start-up Sungreen.

The aim of this project is to design, build, install and test a 50 kW prototype electrolyser to validate the technology and compare the results obtained with current commercial technologies. The Anion Exchange Membrane (AEM) technology promises a number of efficiency improvements and considerable cost reductions due to the reduced need to use scarce, exhaustible materials such as noble metals. Moreover, it is a technology that is easily adaptable to the variability of renewable energies, allowing for great flexibility and rapid response.

As part of this development, over the course of 2023, the company developed a 2 kW prototype and validated its characteristics in the laboratory. Naturgy is developing a long-term test programme that will allow the final design of the 50kW electrolyser.

## Business innovation projects

In the field of Naturgy's business, innovation projects are focused chiefly on developing projects that promote the digitalisation of the company, guaranteeing safety, operational improvement, and facilitating access to the best information in time and form for better decision-making, aimed at creating value and guaranteeing the company's long-term competitiveness.

Below are some examples of projects developed in the different business areas of Naturgy.

### Renewable generation in Spain

- Development and implementation of various improvements through automation and data analysis to improve event and anomaly detection and monitoring of solar PV plants and wind farms.
- Development of new sensors and analytics in hydraulic plants with the aim of reducing the need for human inspections and reducing response times in the event of incidents.

### Commercialisation in Spain

- Implementation of a new commercial platform for distributed generation products as a single system for generating offers, calculating the technical requirements depending on the location and accompanying the customer throughout the sales process and installation of the self-consumption product.
- Single repository with information on contracts and customer service with the aim of having a centralised repository for advanced analysis of customer information that allows 360° knowledge of Naturgy's customers.
- Application of AI to the consumption curve of customers to offer personalised data on their consumption, such as savings advice, a breakdown of consumption by appliance or a forecast of the amount of the next bill.
- Implementation of a demand aggregation platform developed by a spin off of the Catalonia Energy Research Institute (IREC). Advanced machine learning techniques are implemented for demand forecasting and local generation as well as artificial intelligence algorithms for the development of an optimal flexible supply strategy for intraday markets, behind-the-meter adjustment and optimisation.

### Gas networks Spain

- The Fractal Project consisting of an analysis and simulation tool for energy control, based on the automatic calculation of best estimate values and comparative and predictive simulation, aimed at greater governance.

## Energy management Spain

- Evolution of the SCADA system that currently supports the operation of Naturgy's generation assets and its participation in the production markets carried out by the Generation Control Office. This system supervises and controls Naturgy's generation, taking over in real time the sending of signals (power, voltages, temperatures, etc.) and the reception and management of the action instructions sent by Red Eléctrica to maintain the balance between generation and electricity demand and the security of the grid itself at all times. The evolution seeks a technological upgrade of both software and hardware to make the system ready for a more flexible and parameterisable, improving performance and functionalities and allowing different control algorithms and with a graphical interface that does not depend on physical machines.

## 4. New business development

### Renewable gases

The development of renewable gases, such as biomethane and hydrogen, is one of Naturgy's strategic vectors in its business and climate action plan. On the one hand, to reduce a significant part of the greenhouse gas emissions that make up the company's carbon footprint and boost the circular economy. Similarly, in the just transition, to decarbonise the economy and create jobs in the areas affected by the closure of coal-fired power stations. Finally, to decarbonise the company's networks throughout Spain, as well as all gas consuming sectors, industry, the residential sector and transport, focusing on the creation of green jobs in rural areas, in line with the Spanish strategy against depopulation.

Thus, renewable gases are present in all the agendas that aim to provide a solution to the ecological transition.

In the case of biomethane, the Biogas Roadmap, approved in March 2022, established a series of regulatory and sectoral measures for the deployment of this energy in Spain and foresaw a 3.8-fold increase in production by 2030, exceeding 10.4 TWh. The REPowerEU Plan also envisaged the presence of biomethane with the aim of rapidly reducing dependence on Russian fossil fuels and advancing the ecological transition. Finally, the draft revision of the PNIEC, published in June 2023, increases biogas and biomethane production to double that quantified in the Biogas Roadmap, reaching 20 TWh in 2030. With regard to the transport sector, it indicates that biogas and biomethane will contribute to Spain reaching the 25% target for renewable energy in transport and a joint target for advanced biofuels and renewable fuels of non-biological origin of at least 11% in 2030.

As far as hydrogen is concerned, the Roadmap set an electrolyser installed capacity of 4GW, whereas the REPowerEU Plan and the draft PNIEC both set far more ambitious targets.

To promote the penetration of renewable gases as an energy carrier, it is necessary to develop its entire value chain, from its production to its use in the final demand sectors. The publication in Spain of Royal Decree 376/2022 establishing the creation of a system of Guarantees of Origin (GoO) for renewable gases (applicable to biogas, biomethane and renewable hydrogen), its definition and issuance conditions, will favour deployment among industrial consumers with significant decarbonisation needs, where electrification is difficult and whose location does not coincide exactly with the place of production. In the first quarter of the year, the platform of the new system of guarantees of origin for renewable gases, managed by Enagás, was launched, enabling guarantees of origin to be issued for the renewable gas generated, as well as the guarantees to be transferred to other entities. A guarantee of origin is an electronic certificate that certifies the renewable nature of the gas and provides detailed information on its production: when the energy was produced, the type of facility, the location and the energy source used, among other aspects. Its function is to demonstrate to the end consumer that a certain share or quantity of energy has been obtained from renewable sources.

In this energy context, Naturgy, as one of the main operators of natural gas infrastructures, assumes its leading role as a driving agent for the development of the renewable gas value chain.

### The biomethane opportunity

The production of renewable gases such as biomethane from livestock, agricultural or industrial organic waste, or from landfills and wastewater plants, is an excellent example of the circular economy in the energy sector, providing significant environmental benefits, a complementary source of income for rural areas and a decarbonised supply to end users.

Although there are differences between the figures for biomethane production potential in Spain depending on the source consulted, the country ranks third in Europe for its high potential. According to the Study of biomethane production capacity in Spain 2023, published by Sedigas, the total accessible biomethane potential in Spain would be 163 TWh/year, in line with other reports. The development of this potential would represent more than 40% of the annual demand.

Moreover, biomethane is a carbon-neutral fuel gas and can even have negative CO<sub>2</sub>eq emissions. This is the case of biomethane from livestock waste, the current management of which causes GHG emissions. The transformation of this waste into renewable gas can avoid the atmospheric emission of 200% of the CO<sub>2</sub>eq emissions corresponding to the fossil fuel replaced.

Considering a carbon footprint abatement ratio of 0.31 Mt CO<sub>2</sub>eq/TWh, exploiting the biomethane production potential of 163 TWh/year would achieve abatement of over 50 Mt CO<sub>2</sub>eq/year, which is equivalent to 23% of the national 2030 target of the Integrated National Energy and Climate Plan currently in force.

According to Sedigas estimates, from an economic point of view, the development of these plants would be equivalent to an investment of Euros 40,495 million for the entire national territory, equivalent to 3.61% of Spain's GDP. It would also have a significant positive impact on job creation, especially in rural areas, helping to meet the targets of the demographic challenge in Spain. In total, 21,736 direct jobs and 40,205 indirect jobs associated with the operation and maintenance of the biomethane plants would be generated, to which should be added 34,890 direct jobs and an estimated 465,200 indirect jobs associated with construction.

#### Environmental benefits

- It promotes the development of a productive process based on the use of renewable biological resources, which guarantees the efficient use of natural resources and reduces the generation of organic waste, promoting the conservation of biodiversity and ecosystems.
- It facilitates the decarbonisation of sectors that consume natural gas by replacing it with a fuel of renewable origin and therefore neutral in CO<sub>2</sub> emissions. It also reduces emissions in sectors such as livestock, agriculture, waste management and water treatment through the recovery of organic waste, thus reducing their negative impact on ecosystems and the population.
- It contributes to the improvement of air quality by avoiding the combustion of these wastes, and reduces the environmental impact of chemical fertilisers by substituting them with the high quality fertiliser obtained: digestate.

#### Social and economic advantages

- Generation of employment, especially in rural areas, providing solutions to the demographic challenge and the depopulation of rural Spain.
- The livestock and food industry sectors have a significant weight in the Spanish economy, and the management of their organic waste offers a renewable and highly available resource.
- Cities can seize this opportunity to manage waste in a circular way to meet the region's reduction targets.
- Obtaining a high quality organic fertiliser that favours keeping waste within the productive cycle and that can be recovered in other sectors.
- First-rate national technology and engineering for obtaining biomethane, with R&D potential to take advantage of opportunities such as digitalisation of the tracking of waste used and certification of the guarantee of origin.

#### Advantages related to the energy transition

- Sustainable and renewable energy that contributes to the energy transition and security of supply.
- Reduction of external energy dependence.
- Manageable for continuous generation.
- Versatile energy source, valid for domestic, industrial, commercial and transportation uses.
- Exploitation of the existing natural gas infrastructure and the equipment at the point of consumption that allow universal consumption of a renewable and bio-based fuel that can be easily distributed.

#### Lines of action in biomethane

Naturgy develops projects throughout the integrated value chain, from waste management and biogas production to the production, distribution and commercialisation of biomethane.

The company has experience in the development of renewable gas on a commercial scale, acquired in projects launched in recent years such as the Elena landfill, and new projects that are starting to take shape such as the Vila-sana (Lleida) project and the one located in the wastewater treatment plant (WWTP) of Bens, in A Coruña, which is more innovative in nature.

In addition, Naturgy has a portfolio of more than 60 projects. Of which 37 are self-developed for the production of biogas and its subsequent enrichment process to produce biomethane with the aim of injecting it into the natural gas network and the rest based on marketing agreements. The details of the 37 own projects are:

- 19 livestock waste projects (1,115 GWh/year).
- 1 WWTP sludge project (6 GWh/year).
- 10 industrial waste projects (337 GWh/year).
- 1 landfill project (12 GWh/year).
- 6 agricultural waste projects (439 GWh/year).

In addition to the development of the second phase of the Mixed Renewable Gas Unit project, mentioned in section 3 of this chapter, more detailed information is provided below on other projects of major interest developed during 2023.

#### Vila-Sana project in Lleida

This plant, which will start injecting renewable gas into the grid in the first half of 2024, will become the company's third commercially operated facility in Spain. Located on the Porgaporcs livestock farm (Vila-sana, Lleida), it will generate biomethane to supply the equivalent annual consumption of 3,150 homes and will prevent the emission into the atmosphere of around 2,450 tonnes of CO<sub>2</sub> per year, injecting 11.5 GWh/year into the gas distribution network.

With this plant, Naturgy takes another step forward in its commitment to energy transition, local energy production and the circular economy, providing clean gas to the energy system and contributing to the sustainable management of agricultural and livestock waste.

#### Rice Straw Project in Valencia

In 2021, Enagás, Genia Bioenergy and Naturgy's gas distributor Nedgia signed a protocol with the Regional Ministry of Agriculture, Rural Development, Climate Emergency and Ecological Transition of the Valencian Regional Government (Generalitat Valenciana) to promote a circular economy project that has continued in 2022 and 2023. From rice straw, 96 GWh per year of renewable gas will be produced, equivalent to more than 15% of the natural gas consumption of the city of Valencia. This fully decarbonised gas will be purified and injected into the gas infrastructure, thus eliminating the emission of 150,000 tonnes of CO<sub>2</sub> into the atmosphere.

The project offers a solution to multiple environmental problems. Using the technique of anaerobic digestion, the waste is turned into renewable gas - which is injected into Nedgia's distribution network to be used for the same end uses as natural gas - as well as nutrients and fertiliser products that can be applied, again, in agriculture, creating a circular economy model.

The implementation of this initiative will also largely help to solve the environmental 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 with irrigation channels and aquifers, and the degradation of water and soil due to anoxia and greenhouse gas emissions when the straw is left to rot in the open air, facilitating more sustainable agricultural uses in an environment with a high ecological value.

This pioneering initiative, which promotes investments for the improvement and sustainability of agricultural practices, can be applied in other rice-growing areas of Spain, such as the Ebro Delta, Extremadura or the Guadalquivir marshes, while promoting sustainable rural economic development and territorial cohesion in areas with demographic challenges.

## Segrià

Naturgy, together with the companies Compost Segrià, Sitra and Servei de Gestió Ramadera, started in 2023 the processing of a new renewable gas plant of the group in Torrefarrera (Lleida), in one of the main areas of Spain that generates agricultural and livestock waste. The plant will represent an investment of Euros 18 million.

The facility, which is expected to be operational in 2025, will treat 140,000 tonnes/year of agro-industrial and livestock waste from the area, and will produce 60 GWh of renewable gas per year. This production is equivalent to the annual consumption of 16,000 homes and will prevent the emission of 15,000 tonnes of CO<sub>2</sub>/year into the atmosphere, an amount equivalent to planting 25,000 trees.

The biomethane generated at the Torrefarrera plant will be injected directly into the gas network of Nedgia, the gas distributor of the Naturgy group, which is fully prepared to transport renewable gases thanks to the investments made by the company in recent years.

## Utiel

Naturgy together with AEMA Servicios Energéticos will build a new biomethane plant, in the Valencian municipality of Utiel, with a capacity to produce 20 GWh per year. Construction will begin soon as the environmental and building permits have been granted by the Utiel Town Council and will entail an investment of Euros 2.7 million. It is scheduled to come into operation in early 2025.

The Utiel power station will use agro-industrial waste and will have the capacity to supply more than 5,300 homes with a renewable gas that can be injected into the distribution network, avoiding the emission into the atmosphere of more than 4,300 tonnes of CO<sub>2</sub>eq/year.

The project is aligned with the Valencian Biogas Route, which promotes the construction of a hundred renewable gas plants in the region to produce 65% of the gas consumed by Valencian households.

## The hydrogen opportunity

Despite the difficulties of use, availability and technological cost, renewable hydrogen has a promising future. The REPowerEU Plan has reinforced the roadmap in Spain which sets a target of 4 GW of installed electrolysis capacity by 2030, which is 10% of the target set by the European Union. In turn, the draft revision of the PNIEC published in 2023 increases it to 11 GW, which is a clear sign of a commitment to hydrogen, although it implies an additional effort to deploy conventional renewables, which is already ambitious in itself. The support of the administration and the private sector, especially those players already consuming grey hydrogen such as refineries and fertiliser producers, will be essential for the implementation of large-scale projects to meet the expected technological pathway.

Green hydrogen constitutes an energy vector capable of:

- Channelling large amounts of renewable energy from power generation to sectors where electrification is not a feasible option.
- Storing and managing energy massively and over long periods of time, matching energy supply and demand.

The existing infrastructure for the transmission and distribution of natural gas in Spain can be used in the short term for the transport of hydrogen in the form of blending up to 5%, without the need for investment, in accordance with the Resolution of 21 December 2012, of the Directorate General for Energy Policy and Mines, which amends the PD-01 “Gas Measurement, Quality and Odourisation” detail protocol of the technical management rules of the gas system. In the medium term it will be possible to reach blends above 10% by upgrading compressor stations and other minor elements.

## Lines of action in hydrogen

Naturgy has been researching the development of hydrogen for years due to the enormous potential it has for a country like Spain. The country can position itself as a strategic exporter of new renewable energy, capable of travelling long distances, transported on existing infrastructure and integrated with the grid for an efficient and resilient energy system. Naturgy, an essential player in energy transmission and distribution, can contribute its global capacity and knowledge throughout the value chain.

During 2023, the company has worked on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of thermal power stations. The aim of the development of multi-demand hubs is to promote the development of new markets for direct consumption in industry, injection into the gas network for its commercialisation with guarantees of origin, mobility or production of H<sub>2</sub> derivatives.

For example, the company is working with Enagás Renewable on the development of a hydrogen plant in La Robla (León), in the vicinity of the thermal power station closed in 2020. The aim is to produce renewable hydrogen from a photovoltaic plant and an electrolyser with which to cover local consumption and enable future export to Northwest Europe. It will reduce GEI emissions and encourage the penetration of renewable energies in sectors that are difficult to electrify. The company has presented the project within the framework of the candidacy of projects of common European interest and proposes similar initiatives for hydrogen production from renewable energy in the areas of the former thermal power stations of Meirama (Galicia) and Narcea (Asturias), linked in this case to wind power stations.

### Hydrogen production project at Meirama

Naturgy, together with Repsol and Reganosa, has planned a renewable hydrogen hub of up to 200 MW in Meirama. In the initial phase of the project, which is scheduled for commissioning in 2026, 30 MW of power will be achieved. In the full development of the project, the plant will have an output of 200 MW and a total production of 30,000 tonnes of renewable hydrogen per year. The plant will supply the Repsol refinery in A Coruña and other consumers.

The project represents an opportunity for sustainable economic development in Galicia. Being located in the municipality of Cerceda in A Coruña, a Just Transition area affected by the closure of the Meirama thermal power station, the project will promote the creation of stable employment and the training of highly qualified professionals.

The renewable hydrogen generated will be targeted at industrial use to replace the conventional hydrogen currently used by the Repsol refinery. It will also be used in other industries, in injection into the gas grid for blending with natural gas, and in mobility. All these uses will reduce the area's carbon footprint and demonstrate the feasibility of mass production of renewable hydrogen and its distribution to the end consumer.

The project's innovation is present in all stages of the hydrogen production value chain: in the production plant itself, in its uses in industry, in injection into the gas network, in commercialisation through Guarantees of Origin (GoO) and in its use for sustainable mobility. It is a multi-demand project.

The project thus demonstrates the feasibility of large-scale deployment of renewable hydrogen to decarbonise industry, as well as the reuse of existing facilities in areas affected by the decommissioning of thermal power stations.

The hydrogen production plant will not only lead to a high level of job creation, but will also bring social benefits, thus contributing to the fulfilment of the United Nations Sustainable Development Goals.

## Storage

The geopolitical scenario and the current energy crisis have further encouraged the promotion of renewable energies. The National Integrated Energy and Climate Plan (PNIEC) 2021-2030 foresaw that by 2030, 74% of the energy mix would be made up of renewables. In addition, European policies - such as REPowerEU - have led to a forthcoming review of the PNIEC and the targets set in the framework of the European Green Deal to 2030, to increase the level of ambition, particularly for wind and photovoltaic energy, up to 81% in Spain by 2030.



This situation presents the energy system with the challenge of equipping itself with flexible tools to manage production, match generation and consumption, avoid sudden drops in production and provide firm capacity to the system. In this scenario, storage is key to the security and quality of supply.

The development of storage systems, in particular batteries, although constantly improving, is now mature enough to support the development of renewables. Among battery technologies, lithium-ion (Li-Ion) batteries are currently one of the most efficient technologies, both technically and economically, and these are expected to grow the most. Even so, its main limitation is the price, so in energy markets that are not very mature in the use of this type of storage, it is necessary for projects to have public support for their development in the short term.

Although in recent years Naturgy has carried out Ion-Li and redox flow battery projects that have allowed the technology to be tested, the lack of regulation has not made it possible to test its operation in the Spanish electricity system. This is currently the main challenge: to achieve the management and integration of storage in the energy and balancing markets. This requires the development of new operating systems that will be key to the optimisation and economic viability of these projects.

### Lines of action in storage

During 2023, work has been carried out on the development of several initiatives with the aim of developing a portfolio of storage projects that will enable compliance with the Strategic Plan, whose goal is the implementation of 120 MW of storage in Spain:

- **Hybridisation projects in generation**, mainly in wind farms and photovoltaic parks. The hybridisation of storage with generation will allow the renewable energy that is incorporated into the Spanish electricity system to be manageable, providing flexibility and firm capacity to the system.
- Deployment of **stand-alone storage** in key locations in areas of grid congestion or loss of firm capacity due to the closure of thermal power stations. At the technological level, the challenges are similar to those of hybridisation projects in wind farms, mainly the management of the control system to achieve optimal operation.
- Development of a **new storage model** to optimise economically and technically the implementation of hybridised systems with storage in small and geographically close farms. Since there is currently no regulatory framework to rely on, it will be developed within the context of a regulatory test bed.

Currently, Naturgy is the company with the most aid and capacity awarded in the first two calls for aid for storage in the framework of the PERTE HERA, with twelve projects totalling 218 MW of power, 467 MWh of production and Euros 41 million in aid. In addition to the development of these projects, it has a potential portfolio of more than 300 MW for the coming years. These projects have been developed with Spanish technology partners and research centres, to generate jobs and strengthen the business fabric throughout the value chain of the projects.

Given this situation and the fact that the energy transition is one of the pillars of the Recovery Funds, significant support is being given for this type of projects. These subsidies are an opportunity to speed up the implementation of this new technology in the short term, although it is expected that in the medium and long term a stable and favourable regulatory framework will develop, which, together with the expected reduction in technological costs, will make the technology viable without subsidies in the coming years.

### Sustainable mobility

In 2023, Naturgy's commitment to sustainable mobility based on different technologies has continued.

In terms of gas, the company has continued its commitment to the deployment of a nationwide infrastructure of natural gas vehicle (NGV) refuelling stations for public use, aimed at achieving a BioNGV transformation. At present, it has 13 facilities in Spain. The energy billed for mobility services was 793 GWh, which represents a decrease of 15% compared to the previous year, due to the expiration of one of the largest NGV supply contracts.

Since natural gas has lower emissions than other fossil fuels, it can contribute to the decarbonisation of transport, especially in heavy transport, where electrification is not foreseeable in the short and medium term.

In addition, existing NGV refuelling station infrastructures can be used both for biomethane -favouring its development- and for hydrogen -either through blending with natural gas, or through synergies due to the similarity of their business model-, which allows them to share sites and their development. This is why BioNGV-oriented NGV continues to be a growth vector for the energy transition in heavy transport.

In terms of electric mobility, the company had 593 electric vehicle charging points at the end of 2023.

#### Lines of action on sustainable mobility

Among the initiatives highlighted in 2023, the following are noteworthy:

- **Signing of the first contract for biomethane GoO in heavy transport.** Naturgy has agreed to supply Guarantees of Origin (GoO) to the transport company Disfrimur, vehicles used in food transport. The use of biomethane will make it possible to decarbonise heavy and last mile transport in the short to medium term.
- **Renewal until 2039 of three public NGV refuelling stations of the Madrid City Council.** Naturgy is committed in the tender to supply more than 80% of biomethane during the entire contract period, which means supplying more than 200 GWh of biomethane. This fuel substitution will contribute to an emissions reduction of up to 35,000 tCO<sub>2</sub>/year, which is equivalent to taking 14,500 vehicles off the road in a city for one year.
- **Supply of electricity from renewable sources in all public electric chargers (RP).** Naturgy is committed to the promotion of renewable energies in the field of mobility that will allow the decarbonisation of light vehicles in urban environments.

# 10. Social responsibility

[3-3]

(Social contribution and participation)

Naturgy's contribution to the SDG



Social responsibility is one of the cornerstones of the company's Sustainability Plan and reflects the commitment to society embodied in Naturgy's Corporate Responsibility Policy.

As a company committed to society and supplier of a basic commodity such as energy, Naturgy has the responsibility to offer a quality and continuous supply, as well as to understand and contribute to addressing the challenges associated with access to energy, both those that affect the most vulnerable groups and those that impact the territory as an indirect effect of the energy transition.

The company demonstrates its unwavering commitment by providing know-how and resources and by allocating part of its profits to social investment for the economic and social development of the areas where it operates.

To be able to contribute what is necessary in each place, Naturgy maintains a fluid and permanent dialogue with society, enabling it to be aware of the needs, expectations and doubts of the communities where it operates and to invite their involvement and participation in the programmes aimed at their well-being.

Ongoing collaboration with society also takes place through cultural, social, sustainability and environmental resources and programmes that the company uses to create wealth and prosperity for those around it.

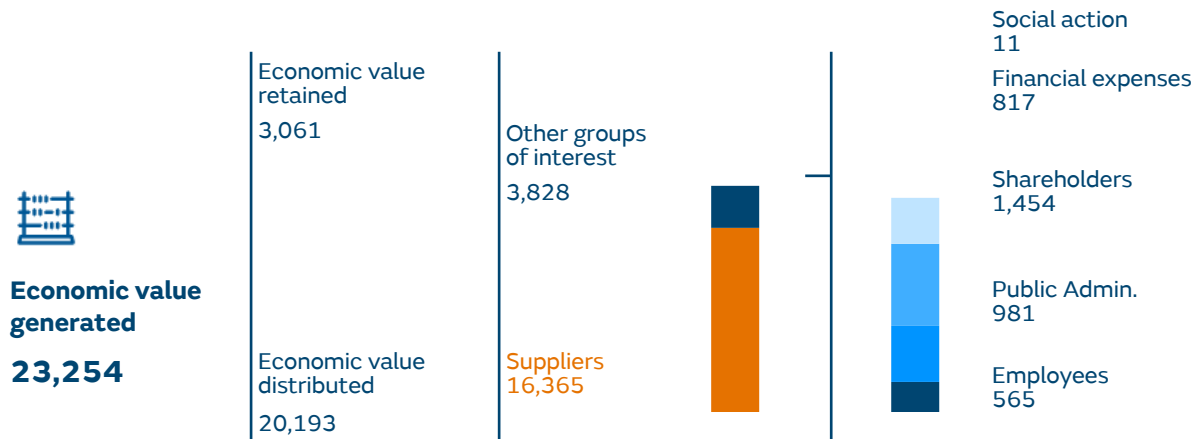
# 1. Social responsibility in 2023 at Naturgy

[203-1] and [203-2]

## Evolution and results

- **Economic value distributed. Detail by group of interest (million euro)**

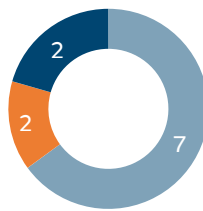
[201-1]



- **Social investment indicators**

	2023	2022
<b>Breakdown by type of action (%)</b>		
Social	85	83
Environmental	3	2
Cultural	12	15
<b>Sponsorship and social action activities (No.)</b>	186	113
<b>Total social investment (million euro)</b>	11	11

- **Social investment (million euro)**



- **Amount for Donations**

Financial contributions to foundations and non-profit organisations for which the company receives no compensation.

- **Amount for Partnerships**

Financial contributions to foundations and non-profit organisations for which the company receives some compensation.

- **Amount for Sponsorships**

Amount allocated to other types of entities, not necessarily non-profit making and for which the company receives some compensation.

## Highlights of the year

During 2023, the main achievements in the field of Social Responsibility in Naturgy have been:

- More than 4,400 homes rehabilitated, and 2,502 families assisted in energy volunteering since the Plan started.
- Rollout of the Social Relationship Model in several territories of Spain, such as the Canary Islands, Andalusia, Extremadura, Castilla La Mancha, Castilla y León and Galicia
- Development, together with the Naturgy Foundation, of the learning outcomes and the contents and materials of the new module “Sustainability applied to the production system” integrated in the Organic Law on the Organisation and Integration of Vocational Training, and which will form part of the basic curriculum common to the intermediate and higher vocational training cycles of all curricular families.
- The Naturgy Foundation launched the first edition of the ‘Naturgy Foundation-CSIC Award for research and technological innovation in the energy field’.
- Publication of the study “Women’s employment in the Just Transition in Spain”, an unpublished study that provides the first complete diagnosis of the situation of women in the energy transition labour market based on real data.
- Launch of the first professional training course on photovoltaic installations aimed exclusively at unemployed women
- More than 21,586 hours of corporate volunteering and Euros 172,837 of employee wages raised during the Solidarity Day.
- 184,347 beneficiaries of training programmes of the Naturgy Foundation.

## 2. Energy vulnerability

### Energy Vulnerability Plan in Spain

Naturgy considers people to be the most important focal point, and even more so vulnerable groups in need of protection. For this reason, the company has an Energy Vulnerability Plan that constitutes its strategy to help alleviate this social scourge. The Plan was established in 2017 and has continued to evolve and adapt to the realities of each year. The plan is being worked on by different areas of the company with two key players: the Naturgy Foundation and the customer area. It seeks to go beyond compliance with prevailing legislation and promotes partnership agreements with the different public and private bodies involved, as an element on which the rest of the Plan's actions are based.

The goals of the Plan to alleviate vulnerability and energy poverty in Spain are:

- Implementing activities with entities that work to alleviate energy poverty cases and to detect vulnerabilities.
- 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.
- As a result of the current global situation and in Europe in particular, with rising energy and fuel prices, adverse weather events, shortages of raw materials and logistical problems that have been occurring recently, the most vulnerable people are suffering the greatest negative impact today.

Energy vulnerability is a top priority for Naturgy. The actual and potential negative impacts identified are as follows:

- The right to adequate housing includes access to a modern energy source. Energy vulnerability therefore affects this basic right.
- People in vulnerable situations are affected physically and psychologically, as they are unable to meet the most basic needs due to the lack of energy supply. The lack of household temperature adaptation both for cooling and heating leads to the aggravation and development of illnesses. The emotional state of people is also affected, as well as the educational development of the younger population or the access to a job in the working age population.
- A larger vulnerable population means that more and more people have less and less spending capacity for other products or services. If this situation were to continue over time, it would lead to a reduction in demand, which would lead to the destruction of supply and therefore of the business fabric.
- As for the environment, energy vulnerability forces people in such a situation to look for other, sometimes more damaging, energy sources.

Energy prices are more moderate than in 2022, but still high and subsidised. This is why the company continues to take every possible action to minimise the impact on the most vulnerable people.

### Main actions of the Naturgy Foundation

Naturgy has activated numerous mechanisms to help alleviate energy vulnerability. In 2023, in Spain, Naturgy continued signing agreements to protect vulnerable customers with different administrations to prevent cutting off customers. Measures taken to prevent, address, manage and facilitate the remediation of actual and potential negative impacts during the year have been:

- Naturgy Foundation Energy Rehabilitation Solidarity Fund. It facilitates energy rehabilitation works for the housing of families in a situation of vulnerability. In 2023, the number of rehabilitated dwellings exceeded 4,400, with 810 dwellings being rehabilitated during the year. The management and selection of homes to be rehabilitated is carried out through agreements that the Foundation carries out with third sector entities that work with vulnerable people. In 2023, 12 agreements have been signed. Work has also been carried out with 25 municipalities.
- The Naturgy Foundation has continued to develop the line of social innovation, in which it pursues the incorporation of renewable energies in the fight against vulnerability. Five projects have been initiated for the installation of 137 kWp (kilowatt peak) photovoltaic power, benefiting 1,132 people.

- Energy School. One of the causes of energy vulnerability is the lack of training and knowledge about energy among both the general population and the social technicians who accompany the population in vulnerable situations. That is why the Naturgy Foundation created the Energy School. It is a school where trainers provide training and workshops to vulnerable groups and social technicians, either in person or in a hybrid format. The topics covered range from the energy sector in general, understanding energy bills, energy efficiency tips, the discount rate, as well as all the latest news and legislative changes in energy matters. The School works mainly with town councils and is present in more than 700 municipalities. In 2023, 4,134 people have attended the School's training courses, 68% of whom are families and 32% are social technicians. The periodic advisory service to some town councils has continued. Through this programme, the population in a situation of vulnerability is advised on their consumption and bills, and they receive support to improve contracting and habits for efficient energy consumption. The webinars initiated during the pandemic period continue to be very useful and, in 2023, two webinars have been held with 218 attendees, entitled as follows: "Initiatives to alleviate energy poverty in the European context. European SocialWatt Project and EPIU Getafe Project" and "Current events in the electricity market: impact on bills and case studies". As part of the accompaniment project, an impact measurement activity has been initiated.
- Energy volunteering. The Naturgy Foundation manages the company's energy volunteering programme, so that employees who wish to do so, with their expert knowledge, can help people in a vulnerable situation to reduce their energy costs. To this end, online and face-to-face energy advice workshops are organised to help users understand their bills, access the discount rate and learn about energy saving measures to improve their energy use. These workshops have been developed under the agreements signed by the Foundation, but also at the request of other entities that have requested them, including the employees themselves and other business areas of the company. In 2023, 2,502 families have been assisted with energy volunteering.
- It continues to maintain the special conditions for splitting bills to help customers in a situation of vulnerability, enabling them to split the debt into a greater number of instalments.
- These actions are complemented by the publication of studies such as those carried out in 2023: "Assessment of the impact of express rehabilitation on energy poverty: analysis of real cases" and "Energy poverty: agent ecosystem to combat it through proximity interventions". These studies provide the Plan with a solid knowledge base on which to base its actions. In addition, the Naturgy Foundation is part of the advisory board of the Chair of Energy and Poverty of the Comillas Pontifical University, which is a privileged environment from which to give coherence to studies, legislative proposals, training and dissemination actions that help mitigate and, ideally, eradicate this problem.

These actions are complemented with the awarding of the Award for the Best Social Initiative in the Energy Field, through which the Foundation pursues a twin objective; on the one hand, to make visible the initiatives that other entities are carrying out to fight against energy vulnerability, and on the other hand, to provide resources to other social energy projects. The 4th edition of this award was held in 2023, with the participation of 66 entities presenting their projects. The first prize of 60,000 euros was awarded to the Red Cross, and Círvite was awarded the second prize of Euros 30,000.

In addition, the Naturgy Foundation has successfully completed its participation in two European projects to give greater visibility and strengthen its leadership in the implementation of programmes related to energy vulnerability, as well as to learn from good practices in other European countries and network with entities of various kinds. These two projects were initiated three years ago and are: SocialWatt, which aims to help energy companies comply with the European Directive on energy efficiency through the design and implementation of action plans against energy poverty and the monitoring of these, and EPIU Getafe, which involves development of a new system for the smart detection of cases of energy vulnerability, with special emphasis on hidden energy poverty. The Naturgy Foundation is part of these European consortia, with the implementation of specific action plans.

The processes used to monitor the Plan's measures have been as follows:

- In the case of the Energy Rehabilitation Solidarity Fund, an audit is conducted every year of the rehabilitations performed, checking that all the planned actions have been carried out.
- Joint monitoring committees have also been set up, as well as a continuous dialogue with the entities with which agreements are signed to monitor compliance with the agreements, to continue improving and to make the necessary modifications to the processes.

- In the case of the Energy School and volunteering, user satisfaction surveys are carried out to check the usefulness of the sessions and to make modifications if necessary.

To ensure the correct progress of the Vulnerability Plan, annual indicators and goals up to 2025 have been incorporated into the company's Sustainability Plan.

The measures carried out this year, in line with the actions of previous years and thanks to the feedback received both from the organisations and the users of the school, volunteers and users of the volunteer activities, have demonstrated that the actions have been effective and help alleviate energy vulnerability.

In relation to the lessons learnt, from the volunteering side, we have identified that the energy advice workshops given to vulnerable people should be expanded to the general population, as the knowledge of energy bills and how to save energy at home is necessary for the whole population. All kinds of civil society organisations, from residents' associations to federations of associations, have asked us to organise this type of workshop. We have also identified that the population is still rather uninitiated in understanding the bill and do not understand the concepts that appear on it.

Participation in both studies and European projects has made it possible to make the lessons learnt in the Vulnerability Plan explicit and bring them to the attention of other entities and companies, as well as the European Commission itself.

The installation of renewable energy sources for vulnerable groups has provided with many lessons learnt, highlighting the administrative management and the need to improve procedures, currently too cumbersome, for obtaining licences, deadlines and subsidies for these groups.

Also, obtaining the discount rate still requires assistance for vulnerable families due to the difficulty of the procedure, which, despite some improvements, both in the process and in the documentation, is still complicated for families. It is also necessary to speed up the arrival of technology and the different possibilities for improving housing for these groups, which normally take longer to reach or are never reached at all.

In terms of stakeholder participation, all the actions and measures we carry out to help alleviate vulnerability have been designed from the outset taking into account the needs of social entities, vulnerable people and the social services of the public bodies with which the Foundation collaborates. In addition, ongoing dialogue has been established with all these participants to know how their needs are changing and to be able to adapt the actions and measures of the Plan to the current reality. The seminars organised both to present the studies and to delve deeper into the problem of energy vulnerability provide a space for relations and action with stakeholders, including groups of vulnerable families, third sector entities, public administrations at local, regional and state levels and the university, as well as other energy companies.



## Main actions in the field of customer service

The customer area is key in the identification of this group with the aim of reinforcing the company's customer service channels for vulnerable customers and the social entities that support them.

In addition, Naturgy has another specific service for third sector entities. Through this channel, NGOs and social entities can also streamline procedures and carry out formalities, as well as receive advice on their users' contracts.

In this regard, Naturgy has had a dedicated channel for social services and the third sector for more than six years. In 2023, it responded to 1,059 calls and 1,165 emails from the third sector, as well as 601 calls from social services. It has also reinforced the email channel to handle requests from social entities and the call centre. These channels can be used to carry out all the necessary procedures regarding vulnerable customers' contracts in order to optimise them or to consult any queries regarding consumption, bills or tariffs. 68,628 calls were received and 75,355 emails from vulnerable customers were handled.

This channel allows for rapid identification of vulnerable households. The social services contact the marketer and the company takes measures to protect these customers. Likewise, in addition to identification, they can carry out various procedures to optimise the contracts of these customers, such as transfers to the regulated marketer, power adjustments, processing of the discount rate or debt instalments with more advantageous conditions than for other customers. In addition, identification of a vulnerable customer means that debt follow-up actions are halted and that they are monitored on a more continuous basis.

Likewise, in compliance with RD 897/2017, which regulates the figure of the vulnerable consumer, the discount rate and other protection measures for domestic electricity consumers, each week Naturgy sends the list of electricity supply points to which payment has been requested to the authorities in each autonomous community. This enables the autonomous administrations to be aware of situations of non-payment so that the appropriate measures can be adopted.

As for the discount rate, Naturgy has closed the year with 190,891 customers to whom the lower electricity bill regulated by the Government aimed at households considered vulnerable due to their socioeconomic situation applies.

## Energy vulnerability in Latin America

### Argentina

In Argentina, vulnerable customers are identified by the public administration, according to criteria based on family income, registrable assets, social assistance, disability, etc. The State creates a register of customers who should receive tariff subsidies, classified into different levels, with the most vulnerable segment being Social Tariff customers located in cold areas (also defined by the State).

The billing system complies with the provisions of PEN Decree No. 332/2022, which promotes the creation of the Registry of Access to Energy Subsidies (RASE), under the orbit of the Undersecretariat of Energy Planning of the National Secretariat of Energy. As of June 2022, this regulation established a regime for the segmentation of subsidies to residential users of electricity and natural gas services through the network, with the aim of achieving reasonable energy prices that can be applied according to criteria of fairness and distributive equity.

Each month, the distributor receives the register of subsidy beneficiaries. The file is processed so that the company's systems can properly identify the supply points subject to this special pricing and issue the subsidised bill according to the level assigned by the administration.

### Brazil

In Brazil, vulnerable clients are registered in one of the government programmes for low-income citizens in vulnerable situations, the "Minha Casa Minha Vida" programme or the "Morar Carioca" programme.

The customer submits to the distribution company a series of documents proving that they meet the requirements to be a beneficiary of the social tariff for piped gas. The social tariff offers a discount on the first two consumption brackets of the current tariff table.

Beyond the discount on the bill, the management of vulnerable customers is the same as that of other customers in terms of collections, supply cuts or supply point management.

## **Mexico**

In Mexico, vulnerable customers are considered to be those people over 60 who live in areas considered socially marginalised given the value of the properties in which they reside and who consume an average of 20 m<sup>3</sup> of gas per month. For these customers, who numbered 13,698 in 2023, the company applies a lower tariff for their consumption.

### 3. Relation with communities

[2-25], [203-1], [203-2], [411-1], [413-1] and [413-2]

Naturgy understands Corporate Responsibility (CR) as the set of actions developed to establish stable, solid and mutually beneficial relations of trust with its stakeholders and with the regions in which it carries out its activities.

Naturgy's CR Policy establishes the common framework for action that guides the company's socially responsible behaviour. Therefore, the Policy's main aim is to establish the principles of action and commitments with its stakeholders, in line with the company's strategy. One of the 8 commitments defined by the Group is social commitment. It establishes that Naturgy is committed to the economic and social development of those regions where it carries out its activities, providing expertise, management capacity, as well as allocating part of its profits to social investment.

Similarly, Naturgy's Human Rights Policy includes respect for communities and the improvement of their living conditions; compliance requires the assessment of the social impact of the company's activities and the definition of initiatives and programmes that manage the social impacts identified in the surrounding communities. During 2023, Naturgy has not recorded any case of violation of the rights of indigenous peoples in any of the geographies in which it operates.

The company has a Social Relationship Model (SRM) that emanates from the CR Policy and which materialises the social commitment that Naturgy acquires in the territories in which it operates. The description of the model is detailed in the "Stakeholders" chapter of this report.

#### Social management in Spain

During 2023, work has been carried out on the implementation of the SRM in several territories in Spain, specifically in the Canary Islands, Andalusia, Extremadura, Castilla La Mancha, Castilla y León and Galicia.

For this deployment, a social management team has been formed with local-level specialists in order to maintain a close and permanent relationship with the neighbours of the projects we develop, creating two-way communication links and trust.

Social managers work both at their desk and out in the field. Their work consists of informing, resolving doubts about the project, gathering information from the territory through participatory processes, and ensuring the proper implementation of the SRM, in coordination with Naturgy teams, local agents and stakeholders (neighbourhood communities, associations, local government, third sector entities and others).

The following is a breakdown of the main lines of action carried out in the aforementioned territories:

#### Social management in Andalusia

- Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- Thanks to the partnership with Naturgy Foundation and AEE (Asociación Empresarial Eólica), a subsidised training course on wind maintenance for Vocational Training teachers has been proposed, benefiting up to 6 teachers in Andalusia.
- 27 Training grants to attend the summer course on Renewable Energies at the International University of Andalusia and for the course at the University of Almería.
- Environmental awareness and education programme.
- Purchase of 100 kg of solidarity honey from the beekeeper who has his hives in the reserve area of the facility, to be donated to the social services of Tabernas and the province's Food Bank.
- Contribution to a local disability association by means of instruments for a music therapy workshop run by the association.
- Participation in conferences to promote young rural talent (Opportunity Morning Rural).

## Social management in the Canary Islands

- Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- Detection of positive externalities of a social nature and contribution to the NextGenerationEU grant calls for facilities.
- Awareness-raising action together with IES Villa de Firgas for the making of the documentary film belonging to the EduCinema Clima Tour Action Project financed by the Erasmus+ Programme.
- Alliance with the Agüimes Town Council to combat the security problems caused by acts of vandalism in and around the area of the facility.
- Organisation of the 1st Technical Conferences on Offshore Wind Energy (roadshow) held in Tenerife and Gran Canaria.

## Social management in Castilla La Mancha

- Educational and awareness-raising visits to the facilities with local stakeholders (schools and local associations).
- Production of a social engagement video with the collaboration of local stakeholders to raise public awareness.
- Alliances with Local Action Group ADASUR (lending the Bolarque museum for a workshop), Town Councils (materials) and other stakeholders (livestock farmers and landowners).
- Support for the closure of local initiatives to be included in the externalities section of the IDAE's call for aid for hybrid storage projects.
- Collaborations with training centres: teacher training at Naturgy's facilities, donation of materials and machinery and the possibility of training internships.
- Working group of municipalities around PV Zorita I and II: training and employability plan and dynamisation and support for the local economy and other actions.

## Social management in Castilla y León

- Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- Alliances with the Local Action Group and local councils to promote the SRM.
- Win Win Lab itinerant activity in the towns of Castromonte, Medina de Rioseco, Cuadros, La Robla and Espinosa de la Ribera.
- Public information days in Cuadros, Campo y Santibáñez, Lorenzana and Carbajal de la Legua.
- Organisation of a 60-hour course for photovoltaic installers at the Virgen del Buen Suceso Vocational Training School in La Robla.

## Social management in Extremadura

- Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- Production of a social engagement video with the collaboration of local stakeholders to raise public awareness.
- Participation in round tables, communication events to inform public opinion of the importance of the company's deployment model in the region, as well as the progress of the works initiated.
- Intermediation on overgrown pastures in the photovoltaic plant Las Jaras for the prevention of fire risks in the area.
- Nomination, organisational support and dissemination of the Eolo award for the project that best promotes and implements Rural Wind Integration.
- Provision of a photovoltaic facility for self-consumption on the roof of the Virgen del Puerto Sanctuary in Plasencia.

## Social management in Galicia

- Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).

- Production of a social engagement video with the collaboration of local stakeholders to raise public awareness.
- Support to land management in specific incidents.
- Meetings with mayors and local communities in the municipalities affected by the facilities to inform, listen to their needs and propose possible actions.
- Participation in calls for aid for repowering and storage: improvements to social, cultural, educational, heritage and connectivity services.
- Enhancement of the As Encrobas lake, restoration of the old mine and assessment of the transfer of land to the Cerceda Town Council.
- Collaborations to improve the infrastructures and social and environmental services in the surroundings of the facilities (roads, social premises, footpaths, hydrogeological studies).

## Social management in the international arena

### Social management in Australia

In 2023, GPG's largest business development has taken place in Australia with the start of construction of 3 wind farms, a solar PV plant, the entry into operation of another wind farm (Beery Bank II) and the commissioning of the company's first battery storage plant. This intense activity has been accompanied by the development and implementation of a specific Social Relationship Model, which starts in the project development phase and continues during operation, revolving around permanent communication with the most relevant stakeholders in the environment.

Some of the most outstanding initiatives of these programmes have been:

- Actions for community benefit. Actions with the participation of the neighbours: collaborations in community events, such as the Smoking ceremony, the Community open Day, the collaboration with the Melbourne Royal Children Hospital or the sponsorship of festivals in the Crookwell 2 area.
- A person specifically appointed to take charge of the community involvement programme and to set up a community engagement committee for each project.
- Training and internship programmes.
- Scholarship programme with several universities.
- Project website.
- Newsletters, press releases and local print ads.

### Social management in Mexico

The company collaborates with local communities on an ongoing basis, with the following initiatives, broken down by facility, being of particular note:

- Bif-Hioxo wind farm: Several donations of materials and vouchers for social work targeted at the vulnerable population of the surrounding communities; support through the donation of vouchers to the cooperatives of the fishing sector of the Seventh Section; rehabilitation of roads, sanctuaries and sports infrastructure; maintenance, adaptation and acquisition of materials for the Community House located in Séptima Sección, in Juchitán; repair of the Fire Department ambulance; construction of a classroom in the bilingual school 5 de septiembre with the aim of preserving Zapotec and other indigenous cultures.
- Tuxpan III and IV combined-cycle power station: The deployment of the engagement plan with the communities located along the state highway "Carretera de los Kilómetros" from kilometre point 0.000 to 16,000 continues, developing activities such as the Xalag Chuchut School, or various initiatives to strengthen the Nakú Kayám Camp of the Villamar Sea Turtle.
- Durango combined-cycle power station: Of particular note is the collaboration with the Bebeleche Museum, the Adopt a School Programme and support for the Area for the Care of People with Disabilities.
- Naco Nogales combined-cycle power station: The plan to support the communities around this 300 MW power station, near the city of Agua Prieta (Sonora), focuses on education and protection of the educational community. This year, they have carried out various training and updating initiatives for youth volunteers, workshops on guidance and life projects especially aimed at students, as well as support for the high school canteen.

- Hermosillo combined-cycle power station: The rehabilitation of roads and irrigation channels in Ejido La Manga, participation in the Adopt a School programme, with the contribution to the La Cholla primary school and the CECYTES high school, and team building initiatives with collaborating companies, volunteers and the workers themselves.

### **Social management in Brazil**

During 2023 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:

- Recovery of infrastructures in the territory for community use, such as water pumps and public lighting.
- Launch of a productive project based on beekeeping production in the territory.
- University and technical study grants.

### **Social management in the Dominican Republic**

The social initiatives highlighted in the Dominican Republic are related to:

- The donation of electronic equipment and materials and services for the creative workshops of Canillitas con Don Bosco.
- The repair of the Fire Department truck of the municipality of Pedro Brand.
- The lighting project for the main road to prevent accidents and minimise the risk of vandalism.

### **Social management in Chile**

Cabo Leones II wind farm, through its territorial community relations management area, has a dynamic working tool to formally and sustainably engage with communities over time. Its design considers annual applications for financing social projects.

In the solar photovoltaic plant of San Pedro I&IV, the commitment to collaborate with the “Centro de Interpretación del Desierto y Energías Renovables” to be developed by Parque Eólico Los Vientos S.A. was established in the Exempt Resolution No. 260. This collaboration consists of the conditioning of a room of the Centre through the mural decoration (four murals), the visual projection on two screens or TV murals and two photovoltaic modules. The Centre’s management accepted this material on 7 July 2023.

## 4. Sponsorship, social action and volunteering

[413-1]

### Sponsorship activity

Beyond its business activity, Naturgy collaborates with society through cultural, social, environmental and sustainability programmes. Its financial contributions strengthen the company's interest in being a positive part of each community and country where it does business.

This commitment is materialised in sponsorship and donation actions, whose activity and processes are defined with total transparency in the company's General Procedure of Sponsorship and Donations. The main lines of action are:

- Education, training and development: collaboration with entities dedicated to promoting and training young people.
- Environment and sustainability: collaboration with institutions dedicated to the preservation, conservation and rehabilitation of the environment, and also with entities that carry out educational and corporate volunteering activities on sustainability, energy and the environment. For example, support for the Group for the Rehabilitation of Native Fauna and their Habitat (GREFA), collaboration with Bosquia for the creation of a forest and collaboration with the International Foundation for the Restoration of Ecosystems (FIRE).
- Artistic and musical culture: in the field of cultural sponsorship, the promotion of music, art and education is of particular importance. In 2023, Naturgy has continued its collaboration with the Gran Teatre del Liceu and the Teatro Real.

### Social action

Naturgy's social action activities are mainly focused on the geographical areas where it is present. In these areas, the company deploys its activities based on the contextual situations and the particular needs of the people who live there, especially those in situations of vulnerability.

The most pressing issues identified by the company push for greater awareness of environmental care and the use of energy resources, as well as for social action with young people or groups in vulnerable situations. Accordingly, Naturgy carries out initiatives in energy, efficient use and safe management of water, electricity and gas.

### Volunteering

Naturgy's corporate volunteering is another key part of the strategy followed by the company in its commitment to people and the environment. Its programme is structured in three areas: energy, social and environmental. Over the course of 2023, 908 employees from Spain, Mexico, Panama, Brazil, Argentina, Chile and the Dominican Republic spent more than 21,586 hours on corporate volunteering with their companions.

Globally, 87 initiatives of a one-off, temporary or continuous nature, 33 social volunteering actions, 22 environmental volunteering actions and 32<sup>1</sup> energy volunteering actions, with the participation of 3,291 volunteers, were carried out. The number of beneficiaries dealt with amounted to 33,387 in 2023.

Energy volunteering continues to consolidate. Online energy advice workshops have continued and has been a return to face-to-face workshops, where the most vulnerable people are given advice to help them reduce their energy bills. A training itinerary has been developed for students with intellectual disabilities, which lasts the whole school year.

In 2023, 22 activities have been carried out to care for the natural environment, five of them in Spain, five in Argentina, nine in Mexico, two in Panama, one in Chile and one in the Dominican Republic. Among the activities carried out, the volunteers planted trees and bushes to improve the selected habitats, removed invasive species and, collected waste, built nest boxes and insect hotels and learnt how to ring birds, among other actions that completed the environmental volunteering activity of the year. In most of the activities, time is dedicated to training and on raising volunteers' awareness on the themes worked on in each activity.

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<sup>1</sup> Spain only.

Various initiatives have also been launched to mark Volunteers' Week, some of which have been based on previous activities and others newly created; some of them include solidarity energy kilometres, which has spread to the main countries in which the company operates, training sessions on current energy issues, the energy game league and motivational talks and workshops to encourage volunteer action. The "Wise Man for a Day" activity has expanded and this year we have collaborated with 6 organisations in 4 different cities, Madrid, Barcelona, Valencia and Malaga.

With the aim of showing vocational training students what Naturgy is like from the inside and motivating them to continue their studies, the sixth edition of the volunteer coaching activity has been held with absolute success for the fourth consecutive year, and the mentoring activity - which was so successful in 2022 - has been held again. Proof of this is that a new activity of mentoring for talented kids. Volunteers act as mentors or coaches in one-to-one sessions with students, giving them an inside look at the company, simulating a job interview and drawing up an action plan.

#### Solidarity Day

In 1997, Naturgy employees created this association, which 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 the company 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 941 employees around the world took part in the initiative.

In 2023 these employees donated Euros 172,837 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 3.6 million in employee donations and an equal amount contributed by the company.

This year, Solidarity Day financed the education of 2,268 school, technical and university students as part of the ordinary projects being implemented in Argentina, Brazil, Spain, Mexico, Moldova, Nicaragua, Panama, Chile and Portugal.

In addition, the association continued to donate computers no longer required by employees and which are in perfect working condition. These computers go to organisations and schools that use them to reduce the digital gap for the most vulnerable people. To date, more than 1,000 computers have been donated to more than 40 entities in Spain, Chile, Panama and Portugal.



## 5. Naturgy Foundation

The Naturgy Foundation is present in the countries where the company operates. Its functions include the dissemination, training, information and awareness-raising of society on energy and environmental issues through programmes related to the business and academic environment. It also develops social action programmes aimed primarily at alleviating energy vulnerability.

### Dissemination of information and awareness-raising in society

Over the years, the Foundation has carried out various initiatives aimed at promoting debate on the energy sector, its current situation and its near future. Speakers of recognised national and international prestige have taken part in these. This year a total of 6,154 people attended.

The balance of the year's activities is as follows:

- High-level Energy Perspectives conferences, a joint initiative of the Naturgy Foundation and IESE Business School.
- Conferences organised jointly with the Spanish Chapter of the Club of Rome.
- Annual conference on geostrategy and energy together with the Real Instituto Elcano.
- Annual conference on the situation of the energy sector with the Cercle d'Economía
- Annual conference on research and innovation in the energy sector with the Spanish National Research Council (CSIC)

Among the activities related to the dissemination of energy-related content, the presentation of books, studies and reports published and edited by the Foundation and prepared by experts in the field worldwide is particularly noteworthy. Online events enabled us to host webinars and presentations, both accompanied by summary videos that facilitated an approach to the publication in a simple way, with the main conclusions explained by the authors. These webinars were attended by more than 2,500 people.

### Naturgy Foundation-CSIC Award for Research and Technological Innovation in the energy field

In 2023, the Naturgy Foundation launched the first edition of the 'Naturgy Foundation-CSIC Award for research and technological innovation in the energy field', with a prize of 100,000 euros for the best project in Spain developed by research groups attached to public or private non-profit organisations.

The initiative aims to focus on innovation as one of the main axes of the energy transition and to advance in the decarbonisation of the economy in our country.

The projects submitted had to be unpublished projects, research in progress or recently completed, and whose innovative potential was likely to be incorporated into the market or to generate value in society.

In this first edition, 18 eligible proposals were received. These had been developed by 11 universities, five research institutes and two non-profit foundations, based in nine autonomous communities. The proposals were evaluated by a scientific commission, coordinated by the CSIC and a jury of experts.

The project of the Bioeconomy Institute of the University of Valladolid (IB-UVA) on CO<sub>2</sub> capture and reduction was the winner of the 1st Edition of the Award.

### “Women’s employment in the Just Transition in Spain” Study

This study, which provides the first complete diagnosis of the situation of women in the energy transition labour market based on real data, was published in 2023. It shows that female employment has grown at a much faster rate than male employment in the energy transition sub-sectors, although these results are linked to a previous low presence of women. However, the experts' conclusion is clear: developments over the last decade are positive, but still too slow.

## Education and outreach

The Naturgy Foundation promotes innovative educational programmes based on the United Nations Sustainable Development Goals, which explore the new energy technologies with the objective to transmit specialised knowledge regarding the transition towards a new energy model, the preservation of the environment, sustainability and responsible energy consumption.

The training proposal of the Naturgy Foundation, with constantly updated contents, is developed by professionals specialised in each of the technical subjects as well as in the didactics of STEM disciplines and has the recognition of the competent administrations and institutions in the field of energy, education and employment. As a result, these contents are considered as a reference in the field by the educational community and of value for the promotion of employability.

Educational actions of the Foundation are developed as a priority where there are specific needs of both society and Naturgy businesses. The Naturgy Foundation thus supports the commitments and actions of social relationship that the company acquires and that, with the education and training projects, allow the company to attend more directly to the citizens in the territory; providing value, commitment and tangible results that directly impact people and generate a positive social impact. Since its launch in 2019, the Foundation's education action has benefited more than one million people.

The main training programmes are Efigy Education and the Vocational Employability Training Programme.

### ▪ Education and outreach in figures

	<b>2023</b>
Total beneficiaries	184,347
Efigy Education Programme	113,680
Vocational Training for Employability Programme	34,013
Outreach actions	1,325

### Efigy education

Innovative didactic project with resources to be carried out in the classroom and independently. Aimed at all educational levels from 3 to 18 years of age, it seeks to increase STEM vocations in the energy sector from an early age and guaranteeing gender equality.

It is aligned with the Just Transition Strategy and the Environmental Education Action Plan of the Ministry for Ecological Transition and the Demographic Challenge (MITECO) and the teaching resources are endorsed by the Ministry of Education, Vocational Training and Sports, the Spanish Foundation for Science and Technology (FECYT) and the Spanish National Research Council (CSIC), as well as by the Education Departments of the competent public administrations and various social agents.

During 2023, the Naturgy Foundation worked to continue to be a benchmark for the educational community, complementing the educational work of public administrations, offering training solutions and developing numerous new, high-quality teaching resources.

It includes different programmes:

<b>Efigy Education in the classroom</b>	Roadshows given by specialised educators to understand new energy technologies and the value of the transition towards a new, more sustainable and fairer energy model. In 2023 the initiative had more than 23,000 beneficiaries in the autonomous communities of Catalonia, Valencian Community, Galicia, Castilla y León, Castilla-La Mancha, Community of Madrid and Extremadura.
<b>Efigy Education Digital</b>	Digital programme available to all educational centres that brings together all the educational resources that support teachers in Primary, Secondary and Vocational Training on topics such as energy transition, circular economy, sustainability, efficient building, energy efficiency, air quality and new energy technologies, among others. In 2023, there were more than 10,000 accesses to the educational applications, 156,841 views of informative videos and 40,036 accesses to the landings.
<b>Efigy Girls</b>	An initiative to support female talent in order to promote technological vocations, through the sponsorship of twelve teams made up of girls aged between 10 and 16. During 2023, the Naturgy Foundation has maintained its membership of the STEAM Alliance for Female Talent, promoted by the Ministry of Education, Vocational Training and Sports with the aim of promoting scientific vocations among girls and young women.
<b>Efigy Planet</b>	Interactive, didactic and innovative tool, based on gamification and aimed at the primary education community. It aims to make teaching about energy easier for teachers, facilitating the extension of curricular contents through an innovative educational resource based on blended learning.
<b>Efigy Technology Competition</b>	Initiative aimed at students in the 3rd and 4th year of Compulsory Secondary Education throughout Spain. Its aim is to promote the values of energy efficiency and encourage technological vocations from an early age by solving a challenge that contributes to improving the planet through energy efficiency. The fifth edition was held in 2023, with the participation of more than 1,000 students from 11 autonomous communities.
<b>Guided tours of facilities</b>	Guided tours of Naturgy's power generation facilities with the aim of sharing with society the company's commitment to an ecological and socially just transition. The activity allows visitors to discover the peculiarities of the operation of a power generation facility, its close relationship with the environment and the different professional profiles needed to carry out the operation of the power stations, as well as their skills and competences. In 2023, more than 2,600 visitors from different associations, companies, students from primary education, secondary education, university education and vocational training took part.
<b>Guidance and mentoring activities</b>	Tool to understand and meet the demands of young people, fostering the attraction of talent to the energy sector and the development of technological vocations among students of all ages. The Naturgy Foundation brings the education system and work experience closer together through training stays in companies and institutions and informative conferences.
<b>Experience in awareness-raising and technology dissemination</b>	Initiatives to contribute to the dissemination of technological and scientific culture in the field of energy among citizens, transmitting the values of energy efficiency, sustainability and the preservation of industrial heritage.

## Vocational training for employability

In the context of a just and inclusive energy transition and the technological development needed to implement it, technical vocational training (VT) in energy is key to transferring the necessary knowledge and responding to the demands of the sector, promoting the improvement of employability. The so-called green jobs are already a reality and curriculum content must be balanced with the current and future needs of companies in the energy sector.

The Naturgy Foundation, through this programme aimed at improving the employability and retraining of professionals in the energy sector, works to provide professionals and/or future professionals with access to quality training content.

Together with the General Secretary of Vocational Training, the Ministry of Education, Vocational Training and Sports and the Ministries of Education and Employment of nine Spanish Autonomous Communities, the Naturgy Foundation works toward promoting Vocational Training, with actions such as updating curricular content, with experts in each field and giving free courses, aimed at vocational training teachers and trainers and at active and unemployed professionals.

The training courses provide training and certification of up-to-date technical knowledge in the areas of sustainable mobility, rehabilitation and sustainable building, renewable gases, digitalisation of electricity grids, energy advice in vulnerable environments, installation and maintenance of photovoltaic panels, and green and digital gas networks, among others.

The training is complemented with e-learning courses developed in collaboration with the Open University of Catalonia (UOC), as well as the theoretical-practical publications “Vocational Education and Training in Energy. Vocational training for employability”.

The training proposal of Naturgy Foundation is aligned with the Just Transition Strategy, and has the recognition and collaboration of the Ministry of Education, Vocational Training and Sports, the competent administrations in education and employment of nine autonomous communities, the State Public Employment Service (SEPE), the State Foundation for Employment Training (FUNDAE) and the National Institute of Qualifications (INCUAL).

### “Sustainability applied to the production system” module

Naturgy Foundation, with the support of Naturgy’s Environment and Social Responsibility Department, was the institution designated, thanks to the trust placed in it by the MEFPD, to create the learning outcomes of the new “Sustainability applied to the production system” module included in the Organic Law on the Organisation and Integration of Vocational Training, which will form part of the basic curriculum common to intermediate and advanced training cycles.

The module aims to understand the environmental, social and governance challenges facing society, offering tools to designing a sustainability plan, integrating sustainability in professional development and acquiring basic skills in green economy, sustainability and the environmental impact of production processes in the corresponding sector.

It has also developed the educational materials and contents to train teachers from all over Spain who will have to teach it from the 2024-2025 academic year onwards. During 2023, two editions of the teacher training course were held, given by professionals from the sector.

#### Summary of activities in 2023

- Addition of new technical training courses to the catalogue: Vocational training in the installation and maintenance of photovoltaic panels and vocational training in sustainability applied to the production system.
- Ten training courses on: sustainable mobility, building and rehabilitation, renewable gases, energy consultancy in vulnerable environments, digitalisation of electricity grids, gas grids: green and digital, sustainability applied to the production system, installation and maintenance of photovoltaic panels and maintenance of wind farms. A total of 32,137 beneficiaries, both teachers and students, joined the programme.
- Launch of new volumes of the collection of theoretical-practical books “Vocational Education and Training in Energy”. Vocational training for employability on the digitalisation of electricity grids and sustainability applied to the productive sector.
- Two scholarship editions in e-learning mode certified by the Universitat Oberta de Catalunya and the Naturgy Foundation on renewable gases and digitalisation of electricity grids have been held.
- Launch of the first professional training course on photovoltaic installations aimed exclusively at unemployed women, in collaboration with the Institute for Just Transition and the Platform for Green Jobs. The 210-hour theoretical and practical training has enabled 40% of the participants to find employment in the sector.
- Joining the Alliance for Dual VT to boost technical training in the field of energy. The Alliance is an initiative promoted since 2015 by the Bertelsmann Foundation, the Princess of Girona Foundation, CEOE and the Spanish Chamber of Commerce.

- **Vocational training for employability in figures**

	<b>2023</b>
Total beneficiaries	34,013
Educational centres in Spain linked to the training programmes	468
Hours of training provided	560
Agreements and certifications with autonomous regions	9
Employment rate in vocational training	40 %

## 11. About this report

This Sustainability Report and Statement of Non-Financial Information forms part of the Directors' Report and the Consolidated Directors' Report of Naturgy Energy Group, S.A. and subsidiaries for the 2023 financial year. It is subject to the same approval, deposit and publication criteria as these reports and has been verified by an independent verification service expert. By issuing this report, Naturgy Energy Group, S.A. complies with the provisions of Article 262 of the Corporate Enterprises Act and Article 49 of the Commercial Code as amended by Law 11/2018 of 28 December on non-financial reporting and diversity, which transposes Directive 2014/95/EU into Spanish law.

### Materiality focus

For the preparation of this 2023 Sustainability Report and Non-Financial Information Statement, Naturgy has used as reference the standards of the Global Reporting Initiative standards (known as GRI Standards) and the Sustainability Accounting Standards Board (SASB), and has taken into account the requirements of Law 11/2018 on non-financial information.

The company considers that the report has been prepared with reference to the GRI Standards and has applied the universal GRI 3 standard "Material Topics 2021", which provides guidance on the identification of material topics. In addition, Naturgy has applied the GRI 11 sectorial standard: Oil and Gas Sector 2021 to identify those specific material aspects of this sector in which Naturgy performs part of its business activity.

### Process of determining material topics

[2-14] and [3-1]

Every year, Naturgy identifies potential and actual impacts, negative and positive, on the economy, the environment and people, including impacts on human rights in all activities. To do this, it uses the Datamaran® tool.

Datamaran® has a preliminary identification of aspects (topic mapping) which ensures that the determination of material topics is based on a complete description of the potential impacts a company has on people and the environment.

Besides, this tool provides the following advantages:

- Data-driven materiality analysis: Datamaran® is software that enables a comprehensive, data-driven process for monitoring external risks, including Environmental, Social and Governance (ESG) risks. The software technology provides real-time analysis of strategic, regulatory and reputational risks and opportunities. Its use strengthens understanding of ESG, geopolitical, technological and emerging issues, ensures alignment with the different expectations of internal and external stakeholders, and enhances the company's ability to monitor its evolution.
- Dynamic materiality based on diverse sources: the analysis takes into account information published by different companies from all sectors in their annual corporate reports, introduces into the analysis both mandatory regulations and other voluntary policy initiatives, as well as information published in traditional media and social networks. The analysis has focused on issues that experienced an increase in relevance and on the stakeholders (peers, industry, regulators, general public) that were behind this increase. This analysis, carried out regularly throughout the year, makes it possible to monitor issues that are in the process of materialising, based on a dynamic materiality perspective.
- General issues map adapted to Naturgy's reality: the 21 issues assessed in the materiality analysis have been built from an exhaustive map of 98 topics (topic mapping) included in the tool itself, so that all emerging issues of interest are taken into account in the diagnosis.

As in 2022, in 2023 Naturgy has anticipated the requirements of Directive 2022/2464 of 14 December 2022 on corporate sustainability reporting and the delegated regulation supplementing as regards sustainability reporting standards (applicable for the 2024 reporting year), and has adopted a dual materiality approach integrating two complementary perspectives:

- Inside-out view (hereafter impact materiality): analyses how the company's activity impacts on the environment and society and how this impact is perceived by the different stakeholders.
- Outside-in view (hereafter financial materiality): analyses how sustainability issues affect the company's performance, how they can affect value creation and how these issues are perceived by financial stakeholders.

The diagnosis has taken into account the following information sources: the sustainability and financial reports of 125 energy companies operating in the main countries where Naturgy operates; nearly 2,600 regulatory initiatives, both mandatory and voluntary, applicable to the following sectors of electricity and gas utilities and electricity generators, and more than 11,000 news articles. All of this in the main countries where the company operates.

In the methodology used, financial reports as well as regulatory and mandatory regulations are considered as representative sources to incorporate investors' and shareholders' expectations into the analysis and provide an understanding of financial materiality.

On the other hand, sustainability reports, news and voluntary regulatory initiatives incorporate issues that are relevant to other stakeholders and facilitate the understanding of materiality of impact.

Naturgy considers that the methodology used, the criteria for selecting the sources consulted and the volume of data analysed ensure that the determination of the material topics has taken into account, in a balanced and representative way, the points of view of the main stakeholders. Once material topics have been identified from both impact and financial perspectives, they are ranked in a matrix that combines both perspectives. In this way, priority has been given to material topics for the main stakeholders and those issues that are also key from a financial standpoint due to their influence on the company's ability to create long-term value.

The process of determining the material topics as well as the outcome of the analysis has been overseen by the Sustainability Committee.

The methodology and the process followed to carry out the double materiality analysis are reviewed by the auditor in charge of verifying the report, who evaluates the adaptation of the process followed to the GRI reference standards.

The results of the materiality analysis are integrated with the group's risk assessment. In the medium to long term, the issues identified as material could become a management risk for Naturgy. See details on risk management in the Integrity and Trust chapter of this report.

## List of material topics at corporate level

[3-2]

Naturgy has identified fifteen material topics, which are detailed below:

<b>Relevant issues</b>	
Circular economy and eco-efficiency	Environmental
Occupational safety and well-being of workers	Social
Business continuity	Economic
Cybersecurity and information security	Governance
Climate change and energy transition	Environmental
Diversity and equal opportunities	Social
Biodiversity and natural capital	Environmental
Human rights	Social
Social contribution and participation	Social
ESG investment and financing	Economic

NB: each country has a different prioritisation based on its corporate responsibility agenda.

Under the double materiality perspective, Naturgy considers that, of these ten issues, six of them are material from a financial perspective:

- Circular economy and eco-efficiency.
- Occupational safety and well-being of workers.
- Business continuity.
- Cybersecurity and information security.
- Climate change and energy transition.
- Diversity and equal opportunities.

In relation to the material issues identified in the previous year, fewer material issues have been identified in 2023 as the threshold for considering an issue to be material has been increased. All material issues that have been identified in 2023 were also material issues in 2022.

### **Management of material topics**

Naturgy's management of material topics has been described throughout the different chapters of this report. For each issue, the following have been explained: the positive and negative impacts, real or potential, caused by Naturgy's activity; the commitments, policies and measures adopted to manage each issue and reduce or prevent negative impacts; the initiatives developed to enhance positive impacts, and the effectiveness of the measures through performance indicators.

Next, we identify for each material issue which business line it is most relevant in and in which chapter and/or section of the report the information on its management and performance can be found:



Material issues	Business lines				Risk materialised in the Corporate Risk Map	Management and performance Chapter and section of the report
	Networks	Energy management	Renewables and new businesses	Commercialisation		
Circular economy and eco-efficiency	■	■	■	■	Environment and biodiversity	The opportunity of environmental challenges - Circular economy and eco-efficiency
Occupational safety and well-being of workers	■	■	■	■	Health and safety / People	Commitment and talent-Health and safety
Business continuity	■	■	■	■	Business continuity and crisis management	Business model
Cybersecurity and information security	■	■	■	■	Cybersecurity / Data protection	Integrity and trust-Security and privacy
Climate change and energy transition	■	■	■	■	Climate change	The opportunity of environmental challenges-Climate change and energy transition: TCFD Report
Diversity and equal opportunities	■	■	■	■	People	Commitment and talent-Interest in people
Biodiversity and natural capital	■	■	■		Environment and biodiversity	The opportunity of environmental challenges-Biodiversity and natural capital
Human Rights	■	■	■	■	Compliance / Reputation and ESG / People	Integrity and trust-Compliance
Social contribution and participation	■	■	■		Reputation and ESG	Corporate responsibility-Relationship with communities Stakeholders of Naturgy
ESG investment and financing	■	■	■	■	Rating / Interest Rate / Liquidity	Business model-Sustainable finance Business model-Green Bond

### Material issues from a financial point of view

As indicated above, Naturgy follows a dual materiality approach as a general principle to determine its most important sustainability impacts, risks and opportunities. In this regard, of the ten issues identified as relevant, six are also considered to be material from a financial point of view. In other words, Naturgy believes that their evolution can have a significant impact on the creation of long-term value, and that it is therefore necessary to manage them proactively, to capture opportunities and minimise any risks they could represent.

For each of these we set out below how the company sees these issues as making a particular contribution to long-term value creation.

### Circular economy and eco-efficiency

Why is it material?	<p>In the face of limited resources and the need to progressively abandon linear economic models, the production of renewable gases such as biomethane from organic waste or renewable energy surpluses is an excellent example of a circular economy in the energy sector.</p> <p>Basing the decarbonisation of the economy predominantly on a high level of electrification with renewable energy presents technical limitations in certain energy-intensive sectors. As electrification cannot meet all energy demand, further integration of electricity and gas is an effective solution to achieve decarbonisation goals. The gas grid currently has a high storage capacity, and a level of reach and capillarity that enables large amounts of energy to be transported to where it will be consumed. The development of renewable gases, biomethane and hydrogen is also part of the Just Transition Strategy.</p> <p>As one of the main operators of basic natural gas infrastructures, Naturgy assumes its leading role as a driving force in the development of the renewable gas value chain.</p>
Business impact	Potential decrease in income and loss of asset value.
Supporting business strategy	The future of natural gas lies in achieving decarbonisation. Naturgy, in its Strategic Plan 2021-2025, sets targets for renewable gases with the implementation of projects in areas of just transition. In addition, Naturgy's circular economy strategy includes initiatives related to water and waste.
Long-term tracking metrics	Production and commercialisation of 522 GWh of renewable gas in 2025.

### Occupational safety and well-being of workers

Why is it material?	<p>As well as the company's legal responsibility to protect its workers from health and safety risks at work, a safe and healthy working environment represents a standard of ethical conduct. Providing good health and safety conditions in the workplace brings a number of key benefits, such as improved employee motivation and commitment, reduced costs of sick leave and accidents, improved productivity, better reputation and better valuation of the company by stakeholders.</p>
Business impact	Increased costs due to more accidents, lower productivity and higher risk.
Supporting business strategy	Safety Plan 2024-2025 which, through six work networks, focuses on "visible leadership in safety" in the company itself and in collaborating companies, and on evolving the company's safety model to the new forms of work organisation and its associated risks.
Long-term tracking metrics	<p>Maintain frequency and severity rates among own staff in 2025 below 0.12 and 6.15 respectively.</p> <p>Occupational health and safety performance is part of the metrics assessed in the assessment of employee performance.</p>

### Business continuity

Why is it material?	<p>Acting in an essential sector such as the energy sector, operating critical infrastructures to guarantee the continuity and quality of supply and doing so in the current context, marked by the energy transition towards a decarbonised energy model and geopolitical, economic and social crises, shows the need to have a business model capable of facing these challenges and adapting to future needs in such a way that business continuity is assured.</p>
Business impact	Potential decrease in income and loss of asset value.
Supporting business strategy	Naturgy is immersed in a transformation process. The Strategic Plan 2021-2025 lays the foundations for this transformation. The strategy is focused on organic growth, consistent with the energy transition, which leverages opportunistic asset rotation to accelerate the transformation and put its focus on renewables.
Long-term tracking metrics	Total investment of Euros 13,200 million. Estimated Ebitda in 2025 at around Euros 5.1 billion.

### Cybersecurity and information security

Why is it material?	Naturgy's transformation involves increasing its digital footprint, both in customer relations and in the management of its networks and assets in general. In this context, it is critical to have infrastructures and information systems that are secure and safe from threats. Naturgy is exposed to threats in relation to the availability, confidentiality, integrity and privacy of the information and technology that supports its business processes, as well as to the risk of non-compliance with regulations related to cybersecurity. Such threats include unauthorised access to and use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.
Business impact	Potential decrease in revenues and potential increase in costs.
Supporting business strategy	Being a best-in-class operator is one of the company's strategic pillars through the transformation of its operations to simplify and digitise them.
Long-term tracking metrics	Reach a level of 790 points in 2025 in the international BitSight index.

### Climate change and energy transition

Why is it material?	In a context focused on an energy model based on renewable energies and a progressive decrease in the use of fossil fuels, the decarbonisation of energy supply is key in the fight against climate change. Naturgy, as a company present in multiple territories, is firmly committed to the fight against climate change. It also represents a strategic opportunity, as energy demand will be redirected towards those sources and suppliers with a less carbon-intensive mix.
Business impact	Potential decline in revenues, loss of asset value, reduced access to sources of finance.
Supporting business strategy	Naturgy's strategy for the coming years focuses on growth that contributes to the energy transition by focusing on renewable projects. The company has an investment target of more than Euros 6 billion on renewables for the 2023-2025 period, which will enable it to increase its renewable capacity to 10 GW of installed capacity. Naturgy's climate action is based on the management and integration of climate change risks and opportunities into the company's strategy. The key lines of action, goals and indicators aim to promote renewable energies, energy efficiency and renewable gas, as well as to offer innovative mobility solutions that contribute to the reduction of emissions and the improvement of air quality in cities.
Long-term tracking metrics	This target for investment in renewables is accompanied by emissions reduction targets across all three scopes so that by 2025 the Group's total emissions will have been reduced by 27% compared to 2017. In addition, Naturgy is committed to achieving zero net emissions by 2050.

## Diversity and equal opportunities

Why is it material?	Having a diverse and inclusive work environment that integrates different perspectives and experiences enriches business management and helps build stronger business cultures that are ready to address future challenges. A diverse and inclusive work environment helps attract and retain the best talent, improves productivity and reduces reputational risks. Naturgy promotes the professional and personal development of all its employees, ensuring equal opportunities through its action policies and does not accept any kind of discrimination in the labour or professional field.
Business impact	Increased risks, lower productivity.
Supporting business strategy	Naturgy firmly believes in the exponential value of diversity. The more diverse people are and the more the value of this difference in teams is recognised, the better the company will be able to anticipate and adapt to each new challenge. In this context, the diversity strategy is a commitment to the organisation and people to invest in and promote diverse and transformative talent through programmes of integration, recognition and promotion of gender, age, disability and functional diversity. In the last two years, Naturgy's diverse talent management strategy has focused on advancing the balance of talent by generational brackets and on gender parity. Young talent plays a key role in the company's transformation through hiring programmes such as "Flex & Lead" and talent development like "Internal Lead Talent".
Long-term tracking metrics	Reach a 40% of women in executive and management positions in Spain by 2025. Diversity and equality performance is part of the metrics assessed in the assessment of employee performance.

## Materiality of the aspects of Law 11/2018

The materiality analysis has shown that almost all the aspects required by Law 11/2018 on non-financial information are material for the specific activities performed by Naturgy. In this regard, according to the independent review report, this report has met all those aspects required by Law 11/2018 that are material to Naturgy.

Only food waste and light and noise pollution have not been identified as material. Food waste is not a relevant issue for the company because the company's activity is not linked to the food sector and the company does not engage in intensive food consumption. Likewise, the environmental risk analyses carried out by the company have determined that the company does not have a significant or relevant impact on light and noise pollution.

## Scope of the information

[2-2] and [2-4]

### Introduction to the scope of information

Following the recommendation of the international GRI Reporting standard, for the definition of the coverage of this report Naturgy has taken into account the companies over which it has the capacity to control, those over which it has significant influence and those activities relevant to the Group from the Environmental, Social and Governance (ESG) points of view.

In the Consolidated Financial Report for 2023, specifically in Annex I, the set of companies in which Naturgy has an interest and which form part of the Group's scope is detailed.

### Temporary scope

The Sustainability and Non-Financial Reporting Report is published each year and covers a 12-month calendar year. This report covers information relating to 2023.

### Frame of reference

The preparation of this report considers the following frames of reference, which condition its structure, scope and contents:

- The financial information published in this report must be consistent with the Annual Accounts, and therefore comply with the provisions of the corresponding Spanish and European regulations.

- Sustainability, or ESG, information, in application of the provisions of Law 11/2018, is prepared by applying a reporting standard or framework. Naturgy has chosen to use the ‘core’ option of the GRI Standards, taking into account the depth of this standard, its recognition and universality, and the experience in its application for more than a decade. For this year’s report Naturgy has followed the 2021 version of GRI and the sectorial standard 11 of Oil and Gas.
- In addition, and on a voluntary basis, Naturgy also reports following the international SASB standard, which is part of the IFRS Foundation due to its relevance at international level.

## Scope of the report

The financial and non-financial data of Naturgy Energy Group, S.A. and its subsidiaries -the Naturgy Group- (hereinafter, Naturgy, the “company” or the “Group”) presented in this report are consolidated and refer to all activities carried out during 2023 as a global gas and electricity operator through the companies listed in Annex I to the Consolidated Report for the year 2023, following these considerations:

- Those indicators that plot progress throughout the year must reflect information on companies outside the consolidation scope due to having been put up 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 generally include companies consolidated using the equity method (Annex I, sections 2 and 4).
- Except for the number of employees, the reported information on own staff 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.
- 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.
- The companies that manage nuclear generation assets are included for the operating figures, but not for the other environmental figures, as these indicators were not available at the time the report was issued.

## Scope limitations

Naturgy considers that this report provides a reasonable and balanced reflection of the company’s environmental, social and governance performance. If a particular indicator could not be compiled in accordance with the scope of the report, explanatory notes are added at the foot of each table.

Throughout the report, when it is considered to facilitate the interpretation of the data, the scope of each of the indicators shown is specified, as well as relevant variations with respect to the previous year.

## Changes to the scope

Changes in the consolidation scope in 2023 compared to 2022 are described in Appendix II of the Consolidated Annual Accounts.

## Compliance with benchmark standards

[3-1]

The company has prepared its Sustainability Report and Statement of Non-Financial Information using the 2021 version of the Global Reporting Initiative (GRI) standards and the GRI 11 standard as a reference: Oil and gas sector 2021 to determine material topics. In addition, the company responds in this report to the indicators identified for the “Electric Utilities & Power Generators” and “Gas Utilities & Distributors” sectors by the SASB standards, which are under the supervision of the International Sustainability Standards Board (ISSB).

Naturgy considers that it has prepared this report in accordance with the Principles for the preparation of reports defined by GRI in its universal standard GRI 1 Foundation 2021, which are as follows:

- 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 that reported by other companies.
- Completeness: 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.
- 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 vision and business model delve specifically into this area.
- Timeliness: 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.
- Verifiability: the company has in place the information systems and internal controls to collect and analyse information from original sources, and to produce this report in a reliable, accurate and high quality manner for presentation to a third party.

The information on how Naturgy complies with its duty to human rights has been prepared in accordance with the United Nations Guiding Principles Reporting Framework, whose objective is for companies to report all information related to human rights, in line with the United Nations Guiding Principles on Business and Human Rights.

In addition, Naturgy responds to the information requirements derived from the Taxonomy Regulation, Regulation (EU) 2020/852 of the European Parliament and of the Council that establishes a classification system for sustainable economic activities, which defines on the basis of objective criteria what is and what is not sustainable. Naturgy complies with the technical reporting requirements set out in the EU Taxonomy Delegated Acts (EU) 2021/2139, 2022/1214 and 2023/2486 complementing the aforementioned regulation and reports on the degree of eligibility and alignment of its activities according to the European taxonomy for climate change mitigation and adaptation objectives.

Lastly, Naturgy also issues the Green Bond report, which includes the environmental benefit indicators for the year based on the guidelines and procedures for the issuance of green bonds of the Green Bond Principles (accountability published by the International Capital Market Association).

## Verification

[2-5]

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 2023 report has been verified by KPMG, 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, Law 11/2018 on non-financial information and diversity and the SASB standards.

In addition, the company commissions a verification according to the classification of activities prepared in accordance with the technical requirements defined in the EU Commission Taxonomy Delegated Acts (EU) 2021/2139, 2022/1214 and 2023/2486, which complement Regulation 2020/852 of the European Parliament and of the Council.

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.

Likewise, the Greenhouse Gas Emissions Inventory for 2023, corresponding to Naturgy's corporate carbon footprint for that monitoring period has been verified by Verico SCE, in accordance with the requirements established in the UNE-ISO 14064 and GHG Protocol standards.

## Reporting period, frequency and contact point

[2-3]

Naturgy publishes its Sustainability Report and Statement of Non-Financial Information on an annual basis. This report covers the period from 1 January to 31 December 2023, which matches the reporting periodicity of its Annual Accounts. The report was published on 27 February 2024.

It should also be noted that Naturgy publishes local corporate responsibility reports in some of 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>.

## 12. Annexes

### 1. Non-financial indicators

#### EU Taxonomy Report (Regulation 2020/852)

- 2023 Turnover

Economic Activities	Financial year 2023	Substantial Contribution Criteria							DNSH criteria ('Does Not Significantly Harm')							Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover	Category enabling activity	Category transitional activity	
	2023	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	%				F
	Code	Turnover €M	Proportion of Turnover %	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/No	Yes/No			
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Manufacture of hydrogen	CCM 3.10	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation using solar photovoltaic technology	CCM 4.01	80	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation from wind power	CCM 4.03	410	2	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1		
Electricity generation from hydropower	CCM 4.05	265	1	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity distribution and transportation	CCM 4.09	1,751	8	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	5	E	
Storage of electricity	CCM 4.10	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Anaerobic digestion of sewage sludge	CCM 5.06	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		



Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes		Yes	Yes	Yes	Yes	0	
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.04	0	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E
Installation, maintenance and repair of renewable energy technologies	CCM 7.06	27	0	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>2,534</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>6</b>	
<b>Of which Enabling</b>		<b>1,779</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>5</b>	<b>E</b>
<b>Of which Transitional</b>		<b>0</b>	<b>0</b>	<b>0</b>						Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>0</b>	<b>T</b>
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																		
Electricity generation from gaseous fossil fuels	CCM 4.29	2,660	12	EL	EL	N/EL	N/EL	N/EL	N/EL								19	
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30	69	0	EL	EL	N/EL	N/EL	N/EL	N/EL								0	
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>2,729</b>	<b>12</b>	<b>EL</b>	<b>EL</b>	<b>N/EL</b>	<b>N/EL</b>	<b>N/EL</b>	<b>N/EL</b>								<b>19</b>	
<b>A. Turnover of Taxonomy eligible activities (A.1+A.2)</b>		<b>5,263</b>	<b>23</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>								<b>25</b>	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																		
<b>Turnover of Taxonomy-non-eligible activities</b>		<b>17,353</b>	<b>77</b>															
<b>TOTAL</b>		<b>22,616</b>	<b>100</b>															

In the activity of Electricity generation from hydropower, the percentage reported in 2022 has been recalculated (from 1% to 0%) due to the error of considering the turnover figure for the adaptation activity.

	<b>Proportion of turnover/Total turnover</b>	
	<b>Taxonomy-aligned per objective</b>	<b>Taxonomy-eligible per objective</b>
<b>CCM</b>	11.2%	23.3%
<b>CCA</b>	0.0%	0.0%
<b>WTR</b>	0.0%	0.0%
<b>CE</b>	0.0%	0.0%
<b>PPC</b>	0.0%	0.0%
<b>BIO</b>	0.0%	0.0%

## 2023 Capex

Economic Activities	Financial year 2023	2023																	
	Code	Capex €M	Proportion of Capex %	Substantial Contribution Criteria							DNSH criteria ('Does Not Significantly Harm')							Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1 %	Category enabling activity E
				Climate Change Mitigation Y; N; N/EL	Climate Change Adaptation Y; N; N/EL	Water Y; N; N/EL	Circular Economy Y; N; N/EL	Pollution Y; N; N/EL	Biodiversity Y; N; N/EL	Climate Change Mitigation Yes/ No	Climate Change Adaptation Yes/ No	Water Yes/ No	Circular Economy Yes/ No	Pollution Yes/ No	Biodiversity Yes/ No	Minimum Safeguards Yes/ No			
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Manufacture of hydrogen	CCM 3.10 / CCA 3.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation using solar photovoltaic technology	CCM 4.01 / CCA 4.01	551	21	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	22		
Electricity generation from wind power	CCM 4.03 / CCA 4.03	786	30	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13		
Electricity generation from hydroelectric power	CCM 4.05 / CCA 4.05	14	1	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1		
Electricity distribution and transportation	CCM 4.09 / CCA 4.09	582	22	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	23	E	
Storage of electricity	CCM 4.10 / CCA 4.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Anaerobic digestion of sewage sludge	CCM 5.06 / CCA 5.06	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15 / CCA 6.15	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	

Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	CCM 7.04 / CCA 7.04	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E
Installation, maintenance and repair of renewable energy technologies	CCM 7.06 / CCA 7.06	9	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>1,942</b>	<b>74</b>	<b>74</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>59</b>	
<b>Of which Enabling</b>		<b>591</b>	<b>23</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>23</b>	<b>E</b>
<b>Of which Transitional</b>		<b>0</b>	<b>0</b>	<b>0</b>						Yes	Yes	Yes	Yes	Yes	Yes	Yes		<b>T</b>
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																		
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL									
Electricity generation from nuclear energy in existing installations	CCM 4.28 / CCA 4.28	0	0	EL	EL	N/EL	N/EL	N/EL	N/EL								0	
Electricity generation from gaseous fossil fuels		127	5	EL	EL	N/EL	N/EL	N/EL	N/EL								7	
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30 / CCA 4.30	5	0	EL	EL												0	
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>132</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>								<b>8</b>	
<b>A. CapEx of Taxonomy eligible activities (A.1+A.2)</b>		<b>2,074</b>	<b>79</b>	<b>79</b>	<b>0</b>												<b>67</b>	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																		
<b>CapEx of Taxonomy-non-eligible activities</b>		<b>538</b>	<b>21</b>															
<b>TOTAL</b>		<b>2,612</b>	<b>100</b>															

Adaptation activities are aligned, which is why they are indicated in the table with “Y”, but the granularity in systems to obtain the economic data for the Key Performance Indicator is not available. For this reason the activity is reported as aligned but with amount 0.

	<b>Proportion of CapEx/Total CapEx</b>	
	<b>Taxonomy-aligned per objective</b>	<b>Taxonomy-eligible per objective</b>
<b>CCM</b>	74.4%	79.4%
<b>CCA</b>	0.0%	0.0%
<b>WTR</b>	0.0%	0.0%
<b>CE</b>	0.0%	0.0%
<b>PPC</b>	0.0%	0.0%
<b>BIO</b>	0.0%	0.0%

▪ **2023 Opex**

Economic Activities	Financial year 2023	2023		Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')							Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1	Category enabling activity	Category transitional activity
	Code	Opex €M	Proportion of Opex %	Climate Change Mitigation Y; N; N/EL	Climate Change Adaptation Y; N; N/EL	Water Y; N; N/EL	Circular Economy Y; N; N/EL	Pollution Y; N; N/EL	Biodiversity Y; N; N/EL	Climate Change Mitigation Yes/ No	Climate Change Adaptation Yes/ No	Water Yes/ No	Circular Economy Yes/ No	Pollution Yes/ No	Biodiversity Yes/ No	Minimum Safeguards Yes/ No			
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																			
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																			
Manufacture of hydrogen	CCM 3.10 / CCA 3.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Electricity generation using solar photovoltaic technology	CCM 4.01 / CCA 4.01	5	1	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1		
Electricity generation from wind power	CCM 4.03 / CCA 4.03	51	15	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	15		
Electricity generation from hydroelectric power	CCM 4.05 / CCA 4.05	12	3	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	3		
Electricity distribution and transportation	CCM 4.09 / CCA 4.09	69	20	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	19	E	
Storage of electricity	CCM 4.10 / CCA 4.10	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Anaerobic digestion of sewage sludge	CCM 5.06 / CCA 5.06	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15 / CCA 6.15	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	CCM 7.04 / CCA 7.04	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	

Installation, maintenance and repair of renewable energy technologies	CCM 7.06 / CCA 7.06	0	0	Y	Y	N/EL	N/EL	N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	E
<b>Opex of environmentally sustainable activities (conforming to the taxonomy) (A.1)</b>		<b>136</b>	<b>39</b>	<b>39</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>39</b>	
<b>Of which Enabling</b>		<b>69</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>20</b>	<b>E</b>
<b>Of which Transitional</b>		<b>0</b>	<b>0</b>	<b>0</b>						Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	<b>0</b>	<b>T</b>
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Electricity generation from nuclear energy in existing installations	CCM 4.28 / CCA 4.28	0	0	EL	EL	N/EL	N/EL	N/EL	N/EL									0	
Electricity generation from gaseous fossil fuels	CCM 4.29 / CCA 4.29	37	11	EL	EL	N/EL	N/EL	N/EL	N/EL									11	
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30 / CCA 4.30	3	1	EL	EL	N/EL	N/EL	N/EL	N/EL									1	
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>41</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>									<b>12</b>	
<b>A. OpEx of Taxonomy eligible activities (A.1+A.2)</b>		<b>177</b>	<b>51</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>										
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																			
<b>Opex of ineligible activities according to the taxonomy</b>		<b>169</b>	<b>49</b>																
<b>TOTAL</b>		<b>346</b>	<b>100</b>																

Adaptation activities are aligned, which is why they are indicated in the table with “Y”, but the granularity in systems to obtain the economic data for the Key Performance Indicator is not available. For this reason the activity is reported as aligned but with amount 0.

	<b>Proportion of OpEx/Total OpEx</b>	
	<b>Taxonomy-aligned per objective</b>	<b>Taxonomy-eligible per objective</b>
<b>CCM</b>	39.4%	51.1%
<b>CCA</b>	0.0%	0.0%
<b>WTR</b>	0.0%	0.0%
<b>CE</b>	0.0%	0.0%
<b>PPC</b>	0.0%	0.0%
<b>BIO</b>	0.0%	0.0%



- **Nuclear and fossil gas related activities**

The Templates required by the EU Delegated Regulation 2022/1214 are included below. As there are no aligned activities, Templates 2 and 3 do not apply in the case of Naturgy.

#### Template 1

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	YES
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

## Template 4

This section incorporates the Templates published in the EU Delegated Regulation 2022/1214.

## 2023 Turnover

Row	Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	2,660	11.8%	2,660	11.8%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	69	0.3%	69	0.3%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%	0	—%	0	—%
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Turnover</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
8	<b>Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Turnover</b>	<b>2,729</b>	<b>12.1%</b>	<b>2,729</b>	<b>12.1%</b>	<b>0</b>	<b>—%</b>

## 2023 Capex

		<b>Amount and proportion (the information is to be presented in monetary amounts and as percentages)</b>					
<b>Row</b>	<b>Economic activities</b>	<b>(CCM + CCA)</b>		<b>Climate change mitigation (CCM)</b>		<b>Climate change adaptation (CCA)</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	127	4.9%	127	4.9%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	5	0.2%	5	0.2%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%	0	—%	0	—%
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Capex</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
8	<b>Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Capex</b>	<b>132</b>	<b>5.1%</b>	<b>132</b>	<b>5.1%</b>	<b>0</b>	<b>—%</b>

## 2023 Opex

		<b>Amount and proportion (the information is to be presented in monetary amounts and as percentages)</b>					
<b>Row</b>	<b>Economic activities</b>	<b>(CCM + CCA)</b>		<b>Climate change mitigation (CCM)</b>		<b>Climate change adaptation (CCA)</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	37	10.7%	37	10.7%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	3	1.0%	3	1.0%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%	0	—%	0	—%
7	<b>Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Opex</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
8	<b>Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Opex</b>	<b>40</b>	<b>11.7%</b>	<b>0</b>	<b>11.7%</b>	<b>0</b>	<b>—%</b>

## Template 5

Attached below are the Templates 5 for the non-eligible activity of nuclear power generation.

## 2023 Turnover

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	245	1%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover	0	—%
<b>7</b>	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Turnover</b>	<b>17,108</b>	<b>76%</b>
<b>8</b>	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Turnover</b>	<b>17,353</b>	<b>77%</b>

## 2023 Capex

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	19	1%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Capex	0	—%
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Capex</b>	<b>518</b>	<b>20%</b>
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Capex</b>	<b>538</b>	<b>21%</b>

## 2023 Opex

Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	21	6%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Opex	0	—%
7	<b>Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Opex</b>	<b>148</b>	<b>43%</b>
8	<b>Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Opex</b>	<b>169</b>	<b>49%</b>

## Integrity and trust

- Revenues from sales to third parties and intra-group transactions (€M)

	<b>2022</b>	
<b>Tax jurisdiction</b>	<b>Third parties</b>	<b>Related entity</b>
Argentina	575.1	70.0
Australia	35.2	1.8
Brazil	2,325.0	4.6
Chile	1,432.4	3.9
Costa Rica	43.5	0.0
Ecuador	0.1	0.0
Spain	26,998.9	31,481.1
France	724.2	0.0
Ireland	2,655.8	1,210.4
Israel	5.1	0.0
Italy	0.0	0.0
Luxembourg	41.8	0.0
Morocco	1.1	0.0
Mexico	2,149.7	507.0
Netherlands	0.0	203.8
Panama	890.8	13.9
Portugal	422.9	0.0
Puerto Rico	552.6	0.0
Dominican Republic	109.4	0.0
Uzbekistan	0.2	0.0

NB: Data aggregated at country level; transactions between Group companies within the same country are not eliminated.

## Customer experience

**Energy affordability** [IF-EU-240a.1], [IF-GU-240a.1], [IF-EU-240a.2], [IF-GU-240a.2], [IF-EU-240a.4] and [IF-GU-240a.4]

			<b>2023</b>	<b>2022</b>	
	Gas business	Average retail rate (retail residential customers)	2.35	5.79	
		Average retail rate (personalised industrial customers)	6.99	7.63	
		Typical bill for 50 MMBTU (retail)	10	24	
		Typical bill for 100 MMBTU (retail)	20	50	
Argentina	Gas business	Average retail rate (retail residential customers)	0.02	n.d.	
		Average retail rate (retail commercial customers)	0.02	n.d.	
	Electricity business	Average retail rate (personalised industrial customers) <sup>(1)</sup>	0.03	n.d.	
		Typical bill for 500 kWh (retail)	3.9	n.d.	
		Typical bill for 1000 kWh (retail)	5.3	n.d.	
Brazil	Gas business	Average retail rate (retail customers)	54.81	39.41	
		Average retail rate (personalised customers)	18.26	14.35	
		Typical bill for 50 MMBTU (retail)	26	29	
		Typical bill for 100 MMBTU (retail)	3,033	2,924	
Chile	Gas business	Average retail rate (retail residential customers)	30.50	27.91	
		Average retail rate (retail commercial customers)	23.78	23.54	
		Average retail rate (personalised industrial customers) (1)	11.70	14.36	
		Typical bill for 50 MMBTU (retail)	117	133	
	Gas business	Typical bill for 100 MMBTU (retail)	234	266	
		Average retail rate (retail customers)	28.70	21.20	
		Average retail rate (personalised customers)	18.50	26.45	
		Typical bill for 50 MMBTU (retail)	1,434	1,060	
Spain	Gas business	Typical bill for 100 MMBTU (retail)	2,869	2,120	
		Average retail rate (retail customers)	0.24	0.26	
		Electricity business	Average retail rate (personalised customers)	0.13	0.20
			Typical bill for 500 kWh (retail)	123	128
Typical bill for 1000 kWh (retail)	245		257		
Mexico	Gas business	Average retail rate (retail customers)	15.62	13.54	
		Average retail rate (personalised customers)	12.68	12.59	
		Typical bill for 50 MMBTU (retail)	62	677	
		Typical bill for 100 MMBTU (retail)	121	630	
Panama	Electricity business	Average retail rate (retail customers)	n.d.	0.14	
		Average retail rate (personalised customers)	n.d.	0.03	
		Typical bill for 500 kWh (retail)	n.d.	19	
		Typical bill for 1000 kWh (retail)	n.d.	336	

Calculation of average gas and electricity business rates in Spain:

- 2022: actual billing data Dec. 21 - Nov. 22 (as of statement date no actual data are available for Dec. 22).

- The power and energy term is included (excluding VAT and other items).

Mexico's typical bill values have fallen as commodity costs have fallen.

Average exchange rates have been used for these data.

<sup>(1)</sup> Does not include NGVs, or LNG for single-customer satellite regasification plants



### ▪ Customers disconnected due to non-payment

[IF-EU-240a.3] and [IF-GU-240a.3]

			2023	2022
Argentina	Gas business	Number of customer disconnections for non-payment of electricity supply	130,967	90,071
		% reconnected within 30 days	68.3	
	Negocio eléctrico	Número de cortes de suministro eléctrico de los clientes por falta de pago	34,921	N/A
		% reconectado antes de 30 días	77	N/A
Brazil	Gas business	Number of customer disconnections for non-payment of electricity supply	86,031	8,324
		% reconnected within 30 days	85.0	93.0
Chile	Gas business	Number of customer disconnections for non-payment of electricity supply	46,356	22,317
		% reconnected within 30 days	78.0	72.5
Spain	Gas business	Number of customer disconnections for non-payment of electricity supply	4,784	3,614
		% reconnected within 30 days	81.0	77.1
	Electricity business	Number of customer disconnections for non-payment of electricity supply	20,069	19,263
		% reconnected within 30 days	91.0	91.4
Mexico	Gas business	Number of customer disconnections for non-payment of electricity supply	258,302	228,887
		% reconnected within 30 days	69.0	
Panama	Electrical business	Number of customer disconnections for non-payment of electricity supply	77,534	66,178
		% reconnected within 30 days	98.3	96.1

### ▪ Electricity load supplied with smart grid technology (%/MWh)

[IF-EU-420a.2]

		2023	2022
% electrical load from smart grids. Spain		99.6	99.6
% electrical load from smart grids. Panama		n.d.	99.4

## Commitment and talent

[401-3] and [405-2]

### ▪ No. of employees entitled to leave for childbirth and child care

	2023			2022		
	Men	Women	Total	Men	Women	Total
Argentina	11	3	14	20	14	34
Australia	1	0	1	1	0	1
Brazil	7	3	10	7	3	10
Chile	8	8	16	8	7	15
Costa Rica	0	0	0	0	0	0
Spain	67	29	96	65	35	100
USA	1	0	1	0	0	0
France	0	0	0	0	1	1
Ireland	0	0	0	0	0	0
Israel	0	0	0	1	0	1
Italy	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Mexico	7	9	16	8	8	16
Netherlands	0	0	0	0	0	0
Panama	6	8	14	11	4	15
Portugal	0	0	0	9	3	12
Puerto Rico	0	0	0	0	0	0
Dominican Republic	0	0	0	0	1	1
<b>Total</b>	<b>108</b>	<b>60</b>	<b>168</b>	<b>130</b>	<b>76</b>	<b>206</b>

▪ **No. of employees who availed themselves of their right to childbirth and childcare leave**

	2023			2022		
	Men	Women	Total	Men	Women	Total
Argentina	11	3	14	2	14	16
Australia	1	0	1	0	0	0
Brazil	7	3	10	7	3	10
Chile	8	8	16	7	7	14
Costa Rica	0	0	0	0	0	0
Spain	67	28	95	64	35	99
USA	1	0	1	0	0	0
France	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Israel	0	0	0	1	0	1
Italy	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Mexico	7	9	16	8	8	16
Netherlands	0	0	0	0	0	0
Panama	6	8	14	11	4	15
Portugal	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0
Dominican Republic	0	0	0	0	1	1
<b>Total</b>	<b>108</b>	<b>59</b>	<b>167</b>	<b>100</b>	<b>72</b>	<b>172</b>

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

	<b>2023</b>		<b>2022</b>	
	Men	Women	Men	Women
Argentina	85.7	100.0	100.0	100.0
Australia	0.0	0.0	0.0	0.0
Brazil	100.0	100.0	100.0	100.0
Chile	87.5	75.0	83.3	62.5
Costa Rica	0.0	0.0	0.0	0.0
Spain	92.2	94.3	92.7	88.9
USA	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0
Israel	0.0	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0
Mexico	100.0	100.0	87.5	72.7
Netherlands	0.0	0.0	0.0	0.0
Panama	0.0	0.0	0.0	0.0
Portugal	0.0	0.0	0.0	0.0
Puerto Rico	0.0	0.0	0.0	0.0
Dominican Republic	0.0	0.0	0.0	0.0
<b>Total</b>	<b>92.5</b>	<b>91.4</b>	<b>92.7</b>	<b>82.2</b>

▪ **No. of employees who did not return to work once their maternity/paternity leave was complete**

[401-3]

	2023			2022		
	Men	Women	Total	Men	Women	Total
Argentina	1	0	1	0	0	0
Australia	0	0	0	0	0	0
Brazil	0	0	0	0	0	0
Chile	0	4	4	0	4	4
Costa Rica	0	0	0	0	0	0
Spain	5	2	7	6	2	8
USA	0	0	0	0	0	0
France	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Israel	0	0	0	1	0	1
Italy	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Netherlands	0	0	0	0	0	0
Panama	0	0	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
<b>Total</b>	<b>6</b>	<b>6</b>	<b>12</b>	<b>7</b>	<b>6</b>	<b>13</b>

▪ **Number of contracts by gender and type at 31 December**

	2023			2022		
	Men	Women	Total	Men	Women	Total
Indefinite full-time	4,391	2,259	6,650	4,531	2,222	6,753
Indefinite part-time	0	0	0	0	0	0
<b>Total indefinite</b>	<b>4,391</b>	<b>2,259</b>	<b>6,650</b>	<b>4,531</b>	<b>2,222</b>	<b>6,753</b>
Temporary full-time	128	105	233	138	91	229
Temporary part-time	0	0	0	0	0	0
<b>Total temporary</b>	<b>128</b>	<b>105</b>	<b>233</b>	<b>138</b>	<b>91</b>	<b>229</b>
<b>Total full-time</b>	<b>4,519</b>	<b>2,364</b>	<b>6,883</b>	<b>4,669</b>	<b>2,313</b>	<b>6,982</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

▪ **Annual average of contracts by gender and type**

	2023			2022		
	Men	Women	Total	Men	Women	Total
Indefinite full-time	4,468	2,244	6,712	4,640	2,230	6,870
Indefinite part-time	0	0	0	0	0	0
<b>Total indefinite</b>	<b>4,468</b>	<b>2,244</b>	<b>6,712</b>	<b>4,640</b>	<b>2,230</b>	<b>6,870</b>
Temporary full-time	133	100	233	122	87	208
Temporary part-time	0	0	0	0	0	0
<b>Total temporary</b>	<b>133</b>	<b>100</b>	<b>233</b>	<b>122</b>	<b>87</b>	<b>208</b>
<b>Total full-time</b>	<b>4,601</b>	<b>2,344</b>	<b>6,945</b>	<b>4,761</b>	<b>2,317</b>	<b>7,078</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

▪ **Number of contracts by age and type at 31 December**

	2023				2022			
	< 30 years	30-50 years	> 50 years	Total employees	< 30 years	30-50 years	> 50 years	Total employees
Indefinite full-time	316	4,328	2,006	6,650	259	4,624	1,870	6,753
Indefinite part-time	0	0	0	0	0	0	0	0
<b>Total indefinite</b>	<b>316</b>	<b>4,328</b>	<b>2,006</b>	<b>6,650</b>	<b>259</b>	<b>4,624</b>	<b>1,870</b>	<b>6,753</b>
Temporary full-time	87	143	3	233	85	140	4	229
Temporary part-time	0	0	0	0	0	0	0	0
<b>Total temporary</b>	<b>87</b>	<b>143</b>	<b>3</b>	<b>233</b>	<b>85</b>	<b>140</b>	<b>4</b>	<b>229</b>
<b>Total full-time</b>	<b>403</b>	<b>4,471</b>	<b>2,009</b>	<b>6,883</b>	<b>344</b>	<b>4,764</b>	<b>1,874</b>	<b>6,982</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

▪ **Annual average of contracts by age and type**

	2023				2022			
	< 30 years	30-50 years	> 50 years	Total employees	< 30 years	30-50 years	> 50 years	Total employees
Indefinite full-time	284	4,490	1,938	6,712	235	4,836	1,798	6,870
Indefinite part-time	0	0	0	0	0	0	0	0
<b>Total indefinite</b>	<b>284</b>	<b>4,490</b>	<b>1,938</b>	<b>6,712</b>	<b>235</b>	<b>4,836</b>	<b>1,798</b>	<b>6,870</b>
Temporary full-time	88	142	3	233	74	131	3	208
Temporary part-time	0	0	0	0	0	0	0	0
<b>Total temporary</b>	<b>88</b>	<b>142</b>	<b>3</b>	<b>233</b>	<b>74</b>	<b>131</b>	<b>3</b>	<b>208</b>
<b>Total full-time</b>	<b>372</b>	<b>4,632</b>	<b>1,942</b>	<b>6,945</b>	<b>309</b>	<b>4,968</b>	<b>1,802</b>	<b>7,078</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

▪ **Number of contracts by professional category and type at 31 December**

<b>2023</b>					
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	103	762	4,032	1,753	6,650
Indefinite part-time	0	0	0	0	0
<b>Total indefinite</b>	<b>103</b>	<b>762</b>	<b>4,032</b>	<b>1,753</b>	<b>6,650</b>
Temporary full-time		3	194	36	233
Temporary part-time	0	0	0	0	0
<b>Total temporary</b>	<b>0</b>	<b>3</b>	<b>194</b>	<b>36</b>	<b>233</b>
<b>Total full-time</b>	<b>103</b>	<b>765</b>	<b>4,226</b>	<b>1,789</b>	<b>6,883</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>2022</b>					
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	103	758	3,912	1,980	6,753
Indefinite part-time	0	0	0	0	0
<b>Total indefinite</b>	<b>103</b>	<b>758</b>	<b>3,912</b>	<b>1,980</b>	<b>6,753</b>
Temporary full-time	0	3	191	35	229
Temporary part-time	0	0	0	0	0
<b>Total temporary</b>	<b>0</b>	<b>3</b>	<b>191</b>	<b>35</b>	<b>229</b>
<b>Total full-time</b>	<b>103</b>	<b>761</b>	<b>4,103</b>	<b>2,015</b>	<b>6,982</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

▪ **Annual average of contracts by professional category and type**

<b>2023</b>					
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	104	769	3,970	1,869	6,712
Indefinite part-time	0	0	0	0	0
<b>Total indefinite</b>	<b>104</b>	<b>769</b>	<b>3,970</b>	<b>1,869</b>	<b>6,712</b>
Temporary full-time	0	3	194	36	233
Temporary part-time	0	0	0	0	0
<b>Total temporary</b>	<b>0</b>	<b>3</b>	<b>194</b>	<b>36</b>	<b>233</b>
<b>Total full-time</b>	<b>104</b>	<b>772</b>	<b>4,164</b>	<b>1,905</b>	<b>6,945</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>2022</b>					
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	104	755	3,907	2,104	6,870
Indefinite part-time	0	0	0	0	0
<b>Total indefinite</b>	<b>104</b>	<b>755</b>	<b>3,907</b>	<b>2,104</b>	<b>6,870</b>
Temporary full-time	0	3	173	32	208
Temporary part-time	0	0	0	0	0
<b>Total temporary</b>	<b>0</b>	<b>3</b>	<b>173</b>	<b>32</b>	<b>208</b>
<b>Total full-time</b>	<b>104</b>	<b>757</b>	<b>4,081</b>	<b>2,137</b>	<b>7,078</b>
<b>Total part-time</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

▪ **Rotation index by gender and age group (%)**

		2023		2022	
<30	Men	11.4	<30	Men	24.8
	Women	7.8		Women	15.7
30-50	Men	2.8	30-50	Men	6.1
	Women	4.6		Women	6.6
>50	Men	8.6	>50	Men	10.8
	Women	6.2		Women	8.9

▪ **Voluntary rotation index by gender and age group (%)**

		2023		2022	
<30	Men	8.4	<30	Men	7.7
	Women	6.4		Women	7.9
30-50	Men	1.6	30-50	Men	1.9
	Women	2.5		Women	2.6
>50	Men	1.0	>50	Men	0.5
	Women	0.4		Women	0.2

▪ **Rotation index by country (%)**

	2023		2022	
	Rotation index	Voluntary rotation index	Rotation index	Voluntary rotation index
Argentina	8.7	2.6	8.3	2.2
Australia	22.1	22.1	14.2	14.2
Brazil	9.1	3.0	5.0	2.7
Chile	9.1	0.2	10.1	0.2
Costa Rica	17.3	17.3	5.7	5.7
Spain	2.5	1.2	3.1	1.6
USA	0.0	0.0	0.0	0.0
France	46.4	46.4	100.0	0.0
Ireland	0.0	0.0	0.0	0.0
Israel	31.0	24.8	24.9	24.9
Italy	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0
Mexico	6.1	3.3	7.6	3.2
Netherlands	0.0	0.0	0.0	0.0
Panama	7.5	1.4	15.2	1.3
Portugal	0.0	0.0	7.3	7.3
Puerto Rico	37.1	37.1	0.0	0.0
Dominican Republic	2.8	2.8	0.0	0.0
<b>Total</b>	<b>5.0</b>	<b>1.9</b>	<b>8.0</b>	<b>2.0</b>



▪ **Rotation by professional category and gender**

**2023**

	Executives			Middle management			Specialists			Operational staff			Total		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
	Argentina	0	0	0	4	1	5	20	7	27	32	15	47	56	23
Australia	0	0	0	2		2	5	0	5	0	0	0	7	0	7
Brazil	0	0	0	1	1	2	9	12	21	4	6	10	14	19	33
Chile	0	0	0	3		3	17	7	24	18	9	27	38	16	54
Costa Rica	0	0	0	0	0	0	2	1	3	0	0	0	2	1	3
Spain	3	1	4	11	1	12	23	39	62	19	2	21	56	43	99
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Israel	0	0	0	0	0	0	5	0	5	0	0	0	5	0	5
Italy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	4	3	7	19	8	27	7	1	8	30	12	42
Netherlands	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Panama	0	0	0	2	0	2	12	4	16	3	1	4	17	5	22
Portugal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Dominican Rep.	0	0	0	0	0	0	0	1	1	1	0	1	1	1	2
<b>Total</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>27</b>	<b>6</b>	<b>33</b>	<b>112</b>	<b>81</b>	<b>193</b>	<b>84</b>	<b>34</b>	<b>118</b>	<b>226</b>	<b>122</b>	<b>348</b>
<b>% Total</b>	<b>75.0</b>	<b>25.0</b>		<b>81.8</b>	<b>18.2</b>		<b>58.0</b>	<b>42.0</b>		<b>71.2</b>	<b>28.8</b>		<b>64.9</b>	<b>35.1</b>	

- Voluntary rotation by professional category and gender

	2023														
	Executives			Middle management			Specialists			Operational staff			Total employees		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Argentina	0	0	0	2	0	2	6	5	11	7	4	11	15	9	24
Australia	0	0	0	2	0	2	5	0	5	0	0	0	7	0	7
Brazil	0	0	0	0	0	0	3	6	9	1	1	2	4	7	11
Chile	0	0	0	1	0	1	0	0	0	0	0	0	1	0	1
Costa Rica	0	0	0	0	0	0	2	1	3	0	0	0	2	1	3
Spain	0	1	1	3	1	4	13	26	39	5	0	5	21	28	49
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Israel	0	0	0	0	0	0	4	0	4	0	0	0	4	0	4
Italy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	2	2	4	8	3	11	7	1	8	17	6	23
Netherlands	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Panama	0	0	0	0	0	0	3	1	4	0	0	0	3	1	4
Portugal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Dominican Rep.	0	0	0	0	0	0	0	1	1	1	0	1	1	1	2
<b>Total</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>3</b>	<b>13</b>	<b>44</b>	<b>45</b>	<b>89</b>	<b>21</b>	<b>6</b>	<b>27</b>	<b>75</b>	<b>55</b>	<b>130</b>
<b>% Total</b>	<b>0.0</b>	<b>0.8</b>	<b>0.8</b>	<b>7.7</b>	<b>2.3</b>	<b>10.0</b>	<b>33.8</b>	<b>34.6</b>	<b>68.5</b>	<b>16.2</b>	<b>4.6</b>	<b>20.8</b>	<b>57.7</b>	<b>42.3</b>	<b>100.0</b>

- Vacant posts filled by internal applications

	2023	2022
Vacant posts filled by internal applications	43.2	45.1

NB: The indicator is from Spain.

- New employees hires by gender and age group

		2023		2022	
<30	Men	40	<30	Men	94
	Women	122		Women	91
30-50	Men	39	30-50	Men	77
	Women	43		Women	46
>50	Men	5	>50	Men	4
	Women	0		Women	3
<b>Total</b>	<b>Men</b>	<b>84</b>	<b>Total</b>	<b>Men</b>	<b>175</b>
	<b>Women</b>	<b>165</b>		<b>Women</b>	<b>140</b>
	<b>Total</b>	<b>249</b>		<b>Total</b>	<b>315</b>

- **New employees hires by gender and business**

**2023**

	Men	% Men	Women	% Women	Total
Procurement and Wholesale Markets	1	25.00	3	75.00	4
Commercialisation	5	15.15	28	84.85	33
Corporate	2	11.76	15	88.24	17
Energy Management and Networks	44	32.35	92	67.65	136
Renewables and New Businesses	32	54.24	27	45.76	59
<b>Total</b>	<b>84</b>	<b>33.73</b>	<b>165</b>	<b>66.27</b>	<b>249</b>

- **New employees hires by gender, corporation and business**

**2023**

	Men	% Men	Women	% Women	Total
Corporate	2	11.76	15	88.24	17
Business	82	35.34	150	64.66	232
<b>Total</b>	<b>84</b>	<b>33.73</b>	<b>165</b>	<b>66.27</b>	<b>249</b>

- **Number of dismissals by gender and professional category**

**2023**

	Executives	Middle management	Specialists	Operational staff	Total
Men	0	3	20	6	29
Women	0	2	15	5	22
<b>Total</b>	<b>0</b>	<b>5</b>	<b>35</b>	<b>11</b>	<b>51</b>

**2022**

	Executives	Middle management	Specialists	Operational staff	Total
Men	0	8	43	52	103
Women	1	1	27	5	34
<b>Total</b>	<b>1</b>	<b>9</b>	<b>70</b>	<b>57</b>	<b>137</b>

- **Training hours per employee**

	<b>2023</b>	<b>2022</b>
Executives	34.0	30.6
Middle management	43.9	46.2
Specialists	42.6	35.1
Operational staff	38.1	36.7
<b>Total</b>	<b>41.5</b>	<b>35.9</b>

NB: Training data only includes companies that have access to SuccessFactors. These companies represent 93% of the total staff.

- **Training hours by age (%)**

	<b>2023</b>			
	Executives	Middle management	Specialists	Operational staff
<30	-	100.0	98.2	98.7
31-44	100.0	97.7	98.0	97.6
45-54	94.7	97.4	98.3	98.0
>55	87.9	97.8	96.5	94.3
<b>Total</b>	<b>93.2</b>	<b>97.6</b>	<b>98.0</b>	<b>97.2</b>

	<b>2022</b>			
	Executives	Middle management	Specialists	Operational staff
<30	98.3	100.0	96.4	96.3
31-44	97.9	99.7	97.1	96.5
45-54	98.1	99.1	98.6	96.4
>55	95.6	100.0	97.7	91.6
<b>Total</b>	<b>97.7</b>	<b>99.5</b>	<b>97.8</b>	<b>95.6</b>

- **Training hours**

	<b>2023</b>	<b>2022</b>
Executives	3,503	25,620
Middle management	32,544	27,774
Specialists	172,263	125,392
Operational staff	57,154	53,660
<b>Total</b>	<b>265,465</b>	<b>232,445</b>

▪ **Fixed remuneration by gender**

	<b>2023</b>		
	Men	Women	Gap
Argentina	17,022	14,999	11.9%
Australia	78,740	87,293	-10.9%
Brazil	26,067	28,480	-9.3%
Chile	39,259	34,218	12.8%
Costa Rica	19,685	0	n.a.
Spain	61,091	55,476	9.2%
USA	178,119	177,387	0.4%
France		0	n.a.
Ireland			
Israel	39,724	30,135	24.1%
Italy		0	n.a.
Luxembourg	0		n.a.
Mexico	24,749	25,030	-1.1%
Netherlands	0		n.a.
Panama	28,437	25,966	8.7%
Portugal	42,838	42,587	0.6%
Puerto Rico		0	n.a.
Dominican Republic	18,744	27,151	-44.9%

NB:

- Blank data are not published for confidentiality reasons.
- Data that are 0 correspond to categories with no employees.
- The exchange rate used is as at the end of December 2023.

	<b>2022</b>		
	Men	Women	Gap
Argentina	28,858	24,681	14.5%
Australia	77,253	85,456	-10.6%
Brazil	22,242	24,403	-9.7%
Chile	37,160	30,155	18.9%
Costa Rica	17,190	0	n.a.
Spain	56,453	52,369	7.2%
USA	0	0	0.0%
France	0	0	0.0%
Ireland	0	0	0.0%
Israel	42,536	0	n.a.
Italy	0	0	0.0%
Luxembourg	0	0	0.0%
Mexico	20,893	22,120	-5.9%
Netherlands	0	0	0.0%
Panama	27,698	25,697	7.2%
Portugal	40,587	38,538	5.0%
Puerto Rico	0	0	0.0%
Dominican Republic	18,205	25,825	-41.9%

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▪ **Fixed remuneration by age range**

	<b>2023</b>		
	<30 years	30-50 years	>50 years
Argentina	11,335	14,672	18,820
Australia	67,168	82,224	79,953
Brazil	18,226	25,813	32,437
Chile	23,122	37,109	38,892
Costa Rica	9,189	21,487	20,427
Spain	36,244	54,981	73,852
USA	0	177,055	180,113
France			0
Ireland	0		
Israel	28,586	39,018	43,816
Italy	0		0
Luxembourg	0	0	
Mexico	17,766	24,358	31,469
Netherlands	0		
Panama	17,311	25,096	41,151
Portugal	0	38,934	
Puerto Rico	0		
Dominican Republic	0	20,185	21,155

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	<b>2022</b>		
	<30 years	30-50 years	>50 years
Argentina	18,397	24,527	31,872
Australia	60,537	81,169	74,656
Brazil	14,936	22,433	26,691
Chile	24,130	34,574	36,349
Costa Rica	10,399	19,115	17,207
Spain	32,387	50,961	71,637
USA	0	0	0
France	0	0	0
Ireland	0	0	0
Israel	30,617	43,911	55,804
Italy	0	0	0
Luxembourg	0	0	0
Mexico	14,674	20,910	25,650
Netherlands	0	0	0
Panama	16,537	24,243	40,410
Portugal	0	35,490	
Puerto Rico	0	0	0
Dominican Republic		19,895	20,258

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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**

	<b>2023</b>							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	152,129	0	62,660	43,161	19,393	18,040	12,542	11,638
Australia	0	0	109,959	144,659	83,771	76,469	0	0
Brazil	0	207,779	65,875	75,776	29,437	27,367	20,360	20,228
Chile	261,332	0	149,253	120,484	44,730	41,965	20,563	21,952
Costa Rica	0	0	0	0	23,311	0	14,665	0
Spain	354,202	237,330	107,226	103,902	57,874	52,740	41,265	39,655
USA	0	0	183,435		214,008		0	0
France	0	0		0		0	0	0
Ireland	0	0		0			0	0
Israel	0	0	0	0	44,073	33,149	0	0
Italy	0	0		0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0
Mexico	235,499	0	75,246	67,999	27,887	27,314	10,038	7,935
Netherlands	0	0	0	0	0		0	0
Panama		0	74,348	77,687	27,737	24,404	18,497	16,941
Portugal	0	0	0		48,407	42,525	0	0
Puerto Rico	0	0	0	0		0	0	0
Dominican Republic	0	0	0	0	32,071	34,284	15,935	11,381
<b>Total</b>	<b>338,031</b>	<b>234,046</b>	<b>100,739</b>	<b>97,764</b>	<b>46,809</b>	<b>44,547</b>	<b>26,052</b>	<b>24,588</b>

NB:

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- The exchange rate used is as at the end of December 2023.

▪ **Median fixed and variable remuneration**

	<b>2023</b>							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	145,033	0	47,312	43,243	17,472	17,069	12,383	11,648
Australia	0	0	109,920	137,384	83,083	67,158	0	0
Brazil	0	147,222	61,137	64,341	27,692	26,454	18,617	20,018
Chile	261,332	0	130,639	108,463	41,115	38,123	19,901	19,788
Costa Rica	0	0	0	0	15,611	0	11,377	0
Spain	280,249	231,921	95,998	96,503	53,105	48,248	40,342	39,154
USA	0	0	126,318		265,982		0	0
France	0	0		0		0	0	0
Ireland	0	0		0			0	0
Israel	0	0	0	0	33,544	33,149	0	0
Italy	0	0		0	0	0	0	0
Luxembourg	0	0	0	0	0		0	0
Mexico	266,807	0	64,496	63,926	26,361	25,692	9,274	7,591
Netherlands	0	0	0	0	0		0	0
Panama		0	59,157	58,263	23,928	22,183	17,827	16,983
Portugal	0	0	0		47,312	43,598	0	0
Puerto Rico	0	0	0	0		0	0	0
Dominican Republic	0	0	0	0	25,568	29,006	15,753	11,381

NB:

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- The exchange rate used is as at the end of December 2023.



▪ **Average variable remuneration**

	<b>2023</b>							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	46,325	0	11,910	6,426	1,629	1,574	797	765
Australia	0	0	18,064	34,096	9,892	7,792	0	0
Brazil	0	64,738	13,168	15,972	3,672	3,100	2,513	3,198
Chile	74,666	0	28,404	20,100	9,808	10,898	34,859	39,886
Costa Rica	0	0	0	0	5,197	0	2,647	0
Spain	114,150	68,592	22,117	20,130	9,779	7,411	0	0
USA	0	0	44,750		0		0	0
France	0	0		0		0	0	0
Ireland	0	0		0			0	0
Israel	0	0	0	0	4,349	3,014	0	0
Italy	0	0		0	0	0	0	0
Luxembourg	0	0	0	0	0		0	0
Mexico	71,590	0	12,946	10,780	4,478	4,440	5,573	0
Netherlands	0	0	0	0	0		0	0
Panama		0	13,538	13,935	2,812	2,414	1,327	1,306
Portugal	0	0	0		5,569	4,892	0	0
Puerto Rico	0	0	0	0		0	0	0
Dominican Republic	0	0	0	0	3,990	4,603	1,368	669
<b>Total</b>	<b>108,262</b>	<b>68,164</b>	<b>20,084</b>	<b>18,642</b>	<b>6,202</b>	<b>5,507</b>	<b>1,494</b>	<b>1,970</b>

NB:

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- The exchange rate used is as at the end of December 2023.

▪ **Median variable remuneration**

	<b>2023</b>							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	41,438	0	8,399	5,944	1,341	1,487	759	700
Australia	0	0	19,482	32,585	9,471	7,726	0	0
Brazil	0	42,063	11,571	12,868	1,840	1,840	1,840	1,840
Chile	74,666	0	19,874	15,495	4,990	4,723	34,859	39,886
Costa Rica	0	0	0	0	4,715	0	2,647	0
Spain	79,948	60,128	17,877	16,781	7,853	6,142	0	0
USA	0	0	38,062		0		0	0
France	0	0		0		0	0	0
Ireland	0	0		0			0	0
Israel	0	0	0	0	3,049	3,014	0	0
Italy	0	0		0	0	0	0	0
Luxembourg	0	0	0	0	0		0	0
Mexico	76,231	0	9,286	8,329	4,107	3,672	6,916	0
Netherlands	0	0	0	0	0		0	0
Panama		0	8,595	9,688	2,371	2,178	1,308	1,407
Portugal	0	0	0		5,443	5,016	0	0
Puerto Rico	0	0	0	0		0	0	0
Dominican Republic	0	0	0	0	2,841	3,951	1,291	669

NB:

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- The exchange rate used is as at the end of December 2023.

▪ **Average fixed and variable remuneration by professional category**

**2023**

	Executives	Middle management	Specialists	Operational staff
Argentina	152,129	58,421	18,951	12,336
Australia	0	127,309	82,367	0
Brazil	207,779	69,588	28,583	20,317
Chile	261,332	141,262	43,893	21,048
Costa Rica	0	0	23,311	14,665
Spain	323,036	106,019	55,675	40,948
USA	0	174,482	223,562	0
France	0			0
Ireland	0			0
Israel	0	0	42,859	0
Italy	0		0	0
Luxembourg	0	0		0
Mexico	235,499	73,221	27,692	9,801
Netherlands	0	0		0
Panama		75,588	26,283	18,096
Portugal	0		43,995	0
Puerto Rico	0	0		0
Dominican Republic	0	0	33,030	15,707

NB:

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- The exchange rate used is as at the end of December 2023.

**2022**

	Executives	Middle management	Specialists	Operational staff
Argentina	222,607	100,200	31,793	20,931
Australia	0	122,588	0	0
Brazil	171,076	58,716	25,276	16,951
Chile	259,935	136,816	40,983	21,117
Costa Rica	0	0	19,647	12,138
Spain	312,121	104,787	51,872	36,665
USA	0	0	0	0
France	0	0	0	0
Ireland	0	0	0	0
Israel	0	0	46,187	0
Italy	0	0	0	0
Luxembourg	0	0	0	0
Mexico	191,801	60,704	21,321	7,954
Netherlands	0	0		0
Panama		73,883	25,716	17,726
Portugal	0		36,357	0
Puerto Rico	0	0	0	0
Dominican Republic	0	0	30,703	14,910

NB:

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- The exchange rate used is as at the end of December 2023.

▪ **Average fixed and variable remuneration by professional category and gender**

**2023**

	Executives	Middle management	Specialists	Operational staff
Men	338,031	100,739	46,809	26,052
Women	234,046	97,764	44,547	24,588

NB: The exchange rate used is at the end of December 2023.

**2022**

	Executives	Middle management	Specialists	Operational staff
Men	330,055	99,927	43,284	26,444
Women	221,888	94,632	42,180	25,897

NB: The exchange rate used is at the end of December 2023.

▪ **Average fixed and variable remuneration by gender**

**2023**

	Men	Women
Argentina	18,351	16,005
Australia	87,961	106,775
Brazil	30,310	34,096
Chile	44,254	38,100
Costa Rica	21,149	0
Spain	68,515	61,177
USA	194,900	190,971
France		0
Ireland		
Israel	44,073	33,149
Italy		0
Luxembourg	0	
Mexico	29,284	29,629
Netherlands	0	
Panama	32,663	29,569
Portugal	48,407	49,170
Puerto Rico		0
Dominican Republic	20,922	31,230

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	<b>2022</b>	
	Men	Women
Argentina	31,009	26,261
Australia	85,952	106,098
Brazil	25,935	29,100
Chile	41,052	32,270
Costa Rica	18,172	0
Spain	63,741	57,857
USA	0	0
France	0	0
Ireland	0	0
Israel	46,923	0
Italy	0	0
Luxembourg	0	0
Mexico	23,016	24,234
Netherlands	0	0
Panama	31,684	29,002
Portugal	40,587	39,695
Puerto Rico	0	0
Dominican Republic	19,696	28,758

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- The exchange rate used is as at the end of December 2023.

▪ **Average fixed and variable remuneration by age range**

	<b>2023</b>		
	<30 years	30-50 years	>50 years
Argentina	11,600	15,478	20,607
Australia	74,557	95,156	88,338
Brazil	21,002	30,303	38,522
Chile	23,122	41,171	44,542
Costa Rica	9,189	22,942	22,647
Spain	38,061	60,024	85,874
USA	0	194,677	192,801
France	0	0	0
Ireland	0	0	0
Israel	31,445	43,383	48,198
Italy	0	0	0
Luxembourg	0	0	0
Mexico	20,829	28,841	37,265
Netherlands	0	0	0
Panama	18,853	28,331	49,063
Portugal	0	43,995	0
Puerto Rico	0	0	0
Dominican Republic	0	22,673	23,907

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- The exchange rate used is as at the end of December 2023.

	<b>2022</b>		
	<30 years	30-50 years	>50 years
Argentina	18,935	25,925	34,617
Australia	67,196	93,151	81,642
Brazil	16,398	26,437	31,441
Chile	24,168	37,405	40,777
Costa Rica	10,399	20,243	18,271
Spain	34,131	55,913	84,281
USA	0	0	0
France	0	0	0
Ireland	0	0	0
Israel	33,679	48,151	61,384
Italy	0	0	0
Luxembourg	0	0	0
Mexico	15,680	22,919	28,893
Netherlands	0	0	0
Panama	17,054	27,188	48,149
Portugal	0	36,357	
Puerto Rico	0	0	0
Dominican Republic		21,691	22,150

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- The exchange rate used is as at the end of December 2023.

▪ **Average and median fixed and variable salary gap (%)**

[405-2]

**2023**

	Average fixed and variable salary gap				Median fixed and variable salary gap			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Argentina	n.a.	31.1	7.0	7.2	n.a.	8.6	2.3	5.9
Australia	0.0	-31.6	8.7	0.0	0.0	-25.0	19.2	0.0
Brazil	n.a.	-15.0	7.0	0.6	n.a.	-5.2	4.5	-7.5
Chile	n.a.	19.3	6.2	-6.8	n.a.	17.0	7.3	0.6
Costa Rica	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.
Spain	33.0	3.1	8.9	3.9	17.2	-0.5	9.1	2.9
USA	0.0	29.3	-17.9	0.0	0.0	-2.7	5.2	0.0
France	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.0
Ireland	0.0	n.a.		0.0	0.0	n.a.		0.0
Israel	0.0	0.0	24.8	0.0	0.0	0.0	1.2	0.0
Italy	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0	0.0
Luxembourg	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Mexico	n.a.	9.6	2.1	20.9	n.a.	0.9	2.5	18.1
Netherlands	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Panama	n.a.	-4.5	12.0	8.4	n.a.	1.5	7.3	4.7
Portugal	0.0	n.a.	12.2	0.0	0.0	n.a.	7.9	0.0
Puerto Rico	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Dominican Republic	0.0	0.0	-6.9	28.6	0.0	0.0	-13.4	27.8
<b>Total</b>	<b>29.2</b>	<b>4.8</b>	<b>7.7</b>	<b>5.4</b>	<b>15.2</b>	<b>0.6</b>	<b>7.2</b>	<b>4.8</b>

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▪ **Average and median variable salary gap (%)**

2023

	Average variable salary gap				Median variable salary gap			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Argentina	n.a.	46.0	3.4	4.1	n.a.	29.2	-10.8	7.8
Australia	0.0	-88.7	21.2	0.0	0.0	-67.3	18.4	0.0
Brazil	n.a.	-21.3	15.6	-27.2	n.a.	-11.2	0.0	0.0
Chile	n.a.	29.2	-11.1	-14.4	n.a.	22.0	5.3	-14.4
Costa Rica	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.
Spain	39.9	9.0	24.2	0.0	24.8	6.1	21.8	0.0
USA	0.0	39.3	n.a.	0.0	0.0	n.a.	n.a.	0.0
France	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.0
Ireland	0.0	n.a.		0.0	0.0	n.a.		0.0
Israel	0.0	0.0	30.7	0.0	0.0	0.0	1.2	0.0
Italy	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0	0.0
Luxembourg	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Mexico	n.a.	16.7	0.8	n.a.	n.a.	10.3	10.6	0.0
Netherlands	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Panama	n.a.	-2.9	14.2	1.6	n.a.	-12.7	8.2	-7.6
Portugal	0.0	n.a.	12.2	0.0	0.0	n.a.	7.9	0.0
Puerto Rico	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Dominican Republic	0.0	0.0	-15.4	51.1	0.0	0.0	-39.1	48.1
<b>Total</b>	<b>35.3</b>	<b>10.2</b>	<b>15.9</b>	<b>-0.7</b>	<b>21.9</b>	<b>6.4</b>	<b>14.2</b>	<b>1.3</b>

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## 2. Additional information

Content index in accordance with the provisions of Act 11/2018, of 28 December, which amends the Commercial Code, the consolidated text of the Corporate Enterprises Act approved by Legislative Royal Decree 1/2010, of 2 July, and Act 22/2015, of 20 July, on Auditing, in connection with non-financial and diversity reporting.

Contents	Pages	Reporting criteria	Reason for the omission
<b>Business model.</b>			
Description of the business model.			
<ul style="list-style-type: none"> <li>- Its business environment.</li> <li>- Its organisation and structure.</li> <li>- The markets in which it operates.</li> <li>- Its goals and strategies.</li> <li>- The main factors and trends that may affect their future.</li> </ul>	7-11, 14-18, 19, 20, 205, 206, 233	GRI 2-1 GRI 2-7 GRI 2-6 GRI 3-1 GRI 3-2 GRI 3-3	
<b>Reporting framework used to report non-financial information.</b>	320-323	GRI 3-1	
<b>Policies.</b>			
A description of the group's policies on these issues.			
<ol style="list-style-type: none"> <li>1. Due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and impacts, and verification and control, including what measures have been adopted.</li> <li>2. Key performance indicators of policy implementation to enable monitoring and evaluation of progress.</li> </ol>	58, 61, 70-72, 104-105, 118, 219, 241-242, 257-258	GRI 3-3	
<b>Risks.</b>			
The main risks related to these issues associated with the activities of the group, including, where relevant and proportionate, its business relationships, products or services that could have an adverse effect on those areas, and how the group manages such risks, explaining the procedures used to identify and assess them in accordance with the national, European or international reference frameworks for each subject matter.	56, 70-72, 86, 110-111, 219, 241-242, 257-258	GRI 3-3	
<b>Materiality analysis.</b>	314-320	GRI 3-1 GRI 3-2	
<b>Social and personnel issues.</b>			
Employment.			
<ul style="list-style-type: none"> <li>- Number and distribution of employees by country, gender, age group and professional category.</li> <li>- Total number and distribution of employment contract types and annual average of: <ul style="list-style-type: none"> <li>▪ Indefinite contracts by gender, age and professional category.</li> <li>▪ Temporary contracts by gender, age and professional category.</li> </ul> </li> </ul>	233-236, 345-347	GRI 2-7 GRI 405-1 (GRI 11.11.5)	
Number of layoffs by gender, age group and professional category.	238, 348	GRI 401-1 (GRI 11.10.2)	
Average remuneration by gender, professional category and age group.	252, 253, 353-362	GRI 405-2 (GRI 11.11.6)	
Pay gap.	254, 362, 363	GRI 405-2	
Average remuneration of directors and senior managers, including bonus, allowances, compensation, payment to long-term savings schemes and any other payment broken down by gender.	83, 84	GRI 405-2 (GRI 11.11.6) GRI 201-3	
Introduction of policies on disconnecting from work.	229, 230	GRI 401-2 (GRI 11.10.3)	
Percentage of disabled employees.	229	GRI 405-1 (GRI 11.11.5)	
<b>Work organisation.</b>			

Organisation of work time.	229, 230	GRI 3-3
Number of hours of absenteeism.	28, 278	GRI 403-9 (GRI 11.9.10)
Measures to facilitate work-life balance and encourage the co-responsible exercise of these by both parents.	228, 230, 342-345	GRI 401-3 (GRI 11.10.4)
<b>Health and safety.</b>		
Health and safety conditions in the workplace.	221, 258-269	GRI 403-1 (GRI 11.9.2) GRI 403-2 (GRI 11.9.3) GRI 403-3 (GRI 11.9.4) GRI 403-9 (11.9.10)
Number of work accidents by gender.	221, 270-272	GRI 403-9 (GRI 11.9.10)
Occupational diseases by gender.	270	GRI 403-10 (GRI 11.9.11)
<b>Social relations.</b>		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff.	238, 239, 261, 273	GRI 402-1 (GRI 11.10.5) GRI 403-4 (GRI 11.9.5)
Percentage of employees covered by collective bargaining agreements.	238-240	GRI 2-30
Balance of the collective bargaining agreements in the field of occupational health and safety.	238-240, 261	403-4 (GRI 11.9.5)
Description of the company's mechanisms and procedures to promote employee involvement in the management of the company, in terms of information, consultation and participation.	231, 232, 238, 239	GRI 3-3
<b>Training.</b>		
Policies introduced in the field of training.	241-249, 273	GRI 403-5 (GRI 11.9.6)
Total number of training hours by professional category.	351-352	GRI 3-3
Universal accessibility for people with disabilities.	228	GRI 405-1 (GRI 11.11.5)
<b>Equality.</b>		
Measures taken to promote equal treatment and opportunities between women and men.	225-228	GRI 405-1 (GRI 11.11.5) GRI 405-2 (GRI 11.11.6)
Equality plans.	226- 227	GRI 405-1 (GRI 11.11.5) GRI 405-2 (GRI 11.11.6)
Measures adopted to foster employment.	226- 227	GRI 405-1 (GRI 11.11.5) GRI 405-2 (GRI 11.11.6)
Protocols against sexual and gender-based harassment.	227	GRI 405-1 (GRI 11.11.5) GRI 405-2 (GRI 11.11.6)
Integrity and universal accessibility for people with disabilities.	226	GRI 405-1 (GRI 11.11.5) GRI 405-2 (GRI 11.11.6)
Policy against all types of discrimination and, where appropriate, diversity management.	226	GRI 405-1 (GRI 11.11.5) GRI 405-2 (GRI 11.11.6)
<b>Environmental issues.</b>		

<b>Management approach.</b>		
Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.	113, 118, 119	GRI 3-3
Environmental assessment or certification procedures.	118, 120	GRI 3-3
Resources targeted at the prevention of environmental risks.	122-122	GRI 3-3
The application of the precautionary principle.	118-121	GRI 2-23
The amount of provisions and guarantees for environmental risks.	120, 121	GRI 3-3 GRI 201-2 (GRI 11.2.2)
<b>Pollution.</b>		
Measures to prevent, reduce or repair carbon emissions that seriously affect the environment (also includes noise and light pollution).	151-152, 156-159	GRI 305-1 (GRI 11.1.5) GRI 305-2 (GRI 11.1.6) GRI 305-3 (GRI 11.1.7) GRI 305-5 (GRI 11.2.3)
<b>Circular economy, sustainable use of resources and waste prevention.</b>		
Measures for prevention, recycling, reuse, and other forms of recovery and disposal.	168-173	GRI 306-2 (GRI 11.5.3) GRI 306-4 (GRI 11.5.5) GRI 306-5 (GRI 11.5.6)
Actions to combat food waste.	Non-material	
<b>Sustainable use of resources.</b>		
Water consumption and water supply in accordance with local constraints.	161-164, 166-167	GRI 303-1 (GRI 11.6.2) GRI 303-5 (GRI 11.6.6)
Consumption of raw materials and measures taken to improve the efficiency of their use.	161	GRI 301-1
Direct and indirect energy consumption	160-161	GRI 302-1 (GRI 11.1.2) GRI 302-2 (GRI 11.1.3)
Measures to improve energy efficiency.	151, 160-161	GRI 302-4 GRI 302-5
Use of renewable energies.	24-28, 151-155	GRI 302-1 (GRI 11.1.2)
<b>Environmental issues.</b>		
<b>Climate change.</b>		
Greenhouse gas emissions.	148, 151-152, 156-159	GRI 305-1 (GRI 11.1.5) GRI 305-2 (GRI 11.1.6) GRI 305-3 (GRI 11.1.7) GRI 305-5 (GRI 11.2.3) GRI 305-6 GRI 305-7
Measures to adapt to climate change.	116, 120-121, 140-144	GRI 302-4
Targets to reduce greenhouse gases.	114, 123, 126-127, 151-154	GRI 305-5 (GRI 11.2.3)

<b>Sustainable finance taxonomy</b>			
<ul style="list-style-type: none"> <li>Regulation (EU) 2020/852 of the European Parliament and of the Council</li> </ul>			
<ul style="list-style-type: none"> <li>Commission Delegated Act Regulation (UE) 2021/2139</li> </ul>	33-42, 324-338	Company criteria	
<ul style="list-style-type: none"> <li>Commission Delegated Act Regulation (UE) 2021/1214</li> </ul>			
<b>Biodiversity.</b>			
Measures to preserve or restore biodiversity.	120-121, 178-179, 197-202	GRI 304-3 (GRI 11.4.4)	
Impacts caused by the activity.	179-186	GRI 304-2 (GRI 11.4.3)	
<b>Information on respect for human rights.</b>			
Application of due diligence procedures.	64-65, 72-74, 105	GRI 2-23 GRI 2-26	
Measures for the prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses.	59, 64-65, 70-75	GRI 2-23 GRI 2-16	
Complaints about human rights violations.	57, 64	GRI 2-16	
Promotion and enforcement of the provisions of ILO core conventions related to respect for freedom of association and the right to collective bargaining, elimination of forced or compulsory labour and the effective abolition of child labour.	70-72, 107-108	GRI 407-1	
<b>Information on corruption and bribery.</b>			
Measures to prevent corruption and bribery.	59-64	GRI 205-3 (GRI 11.20.4)	
Anti-money laundering measures	64	GRI 2-23	
Contributions to foundations and not-for-profit associations.	296	GRI 201-1 (GRI 11.14.2)	
<b>Information about the company.</b>			
<b>Commitments of the companies to sustainable development.</b>			
<ul style="list-style-type: none"> <li>The impact of society on local employment.</li> <li>The impact of society's activity on local populations and the territory.</li> <li>The relations maintained with the local community players and the types of business with them.</li> <li>The actions of association or sponsorship.</li> </ul>	296-297, 303-306, 307-308	GRI 203-2 GRI413-1 GRI 413-2 GRI 411-1 GRI 201-1	Naturgy has not implemented a methodology to accurately measure the indirect economic contribution of the organisation.
<b>Responsible supply chain management.</b>			
<ul style="list-style-type: none"> <li>The inclusion of social, gender equality and environmental issues in the procurement policy.</li> <li>Consideration in relations with suppliers and subcontractors of their social and environmental responsibility.</li> <li>Monitoring and auditing systems.</li> </ul>	73, 103-104, 107, 109, 111	GRI 2-6	
<b>Management of customers relations.</b>			
<ul style="list-style-type: none"> <li>Measures for the health and safety of consumers.</li> <li>Complaint systems.</li> <li>Complaints received and their resolution.</li> </ul>	210-214, 216-218	GRI 416-1	
<b>Tax information and transparency.</b>			
<ul style="list-style-type: none"> <li>Profits country by country.</li> <li>Taxes paid on profits.</li> <li>Public grants received.</li> </ul>	22, 69, 70	GRI 201-1 GRI 207-1 GRI 207-2 GRI 207-3	

## GRI contents index

Naturgy Energy Group, S.A. has presented the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 using the GRI Standards as a reference.

<b>GRI Standard</b>	<b>Disclosure</b>	<b>Reference Sector Standard</b>	<b>Page</b>	<b>Direct response / Omission</b>	<b>External assurance</b>
<b>GRI 1: Foundation 2021</b>					
<b>Sector Standard GRI 11: Oil and Gas Sector 2021</b>					
<b>GRI 2: General Disclosures 2021</b>					
<b>The organization and its reporting practices</b>	2-1 Organizational details		4, 14, 19		Yes
	2-2 Entities included in the organization's sustainability reporting		320, 321		Yes
	2-3 Reporting period, frequency and contact point		323		Yes
	2-4 Restatements of information		320		Yes
	2-5 External assurance		323, 388-391		Yes
<b>Activities and workers</b>	2-6 Activities, value chain and other business relationships		14-16, 102, 103		Yes
	2-7 Employees		236, 237		Yes
<b>Governance</b>	2-9 Governance structure and composition		76-80, 82, 83		Yes
	2-10 Nomination and selection of the highest governance body		78-82, 85		Yes
	2-11 Chair of the highest governance body		78, 80		Yes
	2-12 Role of the highest governance body in overseeing the management of impacts		78-79		Yes
	2-13 Delegation of responsibility for managing impacts		78, 79, 80		Yes
	2-14 Role of the highest governance body in sustainability reporting		78-79, 315		Yes
	2-15 Conflicts of interest		77		Yes
	2-16 Communication of critical concerns		57, 62, 63		Yes
	2-18 Evaluation of the performance of the highest governance body		81		Yes
	2-19 Remuneration policies		83, 84		Yes
	2-20 Process to determine remuneration		83, 84		Yes
2-21 Annual total compensation ratio		83		Yes	

	2-22 Statement on sustainable development strategy		4-6	Yes
	2-23 Policy commitments		87, 104-105, 227-228	Yes
	2-24 Embedding policy commitments		59	Yes
<b>Strategy, policies and practices</b>	2-25 Processes to remediate negative impacts		44, 59, 63, 64, 77, 210-218, 303	Yes
	2-26 Mechanisms for seeking advice and raising concerns		57, 59, 63, 64	Yes
	2-27 Compliance with laws and regulations		65, 66	Yes
	2-28 Membership associations		50	Yes
<b>Stakeholder engagement</b>	2-29 Approach to stakeholder engagement		43-50	Yes
	2-30 Collective bargaining agreements		238-240	Yes
<b>GRI 3: Material Topics 2021</b>				
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics		314-320	Yes
	3-2 List of material topics		316	Yes
<b>Circular economy and eco-efficiency</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.5.1, 11.6.1	160	Yes
<b>GRI 301: Materials 2016</b>	301-1: Materials used, by weight or volume	N.A.	161	Yes
<b>GRI 302: Energy 2016</b>	302-1: Electricity consumption within the organisation	11.1.2	160	Yes
	302-2: Electricity consumption outside the organisation	11.1.3	161	Yes
	302-3: Energy intensity	11.1.4	160	Yes
	302-4: Reduction of energy consumption	N.A.	151	Yes
	302-5: Reduction in energy requirements of products and services	N.A.	151	Yes
<b>GRI 303: Water and effluents 2018</b>	303-1: Interactions with water as a shared resource	11.6.2	161, 179-181, 183-184	Yes
	303-2: Management of impacts related to water discharges	11.6.3	161, 179-181, 183-184	Yes
	303-3: Water withdrawal	11.6.4	162, 163, 164, 166, 167	Yes
	303-4: Water discharge	11.6.5	165, 167	Yes
	303-5: Water consumption	11.6.6	162, 164, 167	Yes
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	11.5.2	168	Yes
	306-2 Management of significant waste-related impacts	11.5.3	168	Yes
	306-3 Waste generated	11.5.4	169	Yes
	306-4 Waste diverted from disposal	11.5.5	170	Yes
	306-5 Waste directed to disposal	11.5.6	170	Yes
<b>Occupational safety and well-being of workers</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.9.1	257, 258	Yes

	403-1: Occupational health and safety management system	11.9.2	258, 259, 276		Yes	
	403-2: Hazard identification, risk assessment, and incident investigation	11.9.3	261-269		Yes	
	403-3: Occupational health services	11.9.4	274, 275		Yes	
	403-4: Worker participation, consultation, and communication on occupational health and safety	11.9.5	261, 273		Yes	
<b>GRI 403: Occupational health and safety 2018</b>	403-5 Training of workers on health and safety at work	11.9.6	272, 273		Yes	
	403-6: Promotion of worker health	11.9.7	277, 278		Yes	
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	11.9.8	238-239, 262, 273		Yes	
	403-8: Workers covered by an occupational health and safety management system	11.9.9	258, 276		Yes	
	403-9: Work-related injuries	11.9.10	221, 270-272		Yes	
	403-10: Work-related ill health	11.9.11	270, 272		Yes	
	<b>Business continuity</b>					
	<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.8.1	86		Yes
	<b>GRI 201: Economic performance 2016</b>	201-2: Financial implications and other risks and opportunities due to climate change.	11.2.2	92, 120-121, 134-135, 137-143	201-2 v.Consolidated Annual Report 2023; Note 2.4.25k	Yes
		201-3: Defined benefit plan obligations and other retirement plans	N.A.	252	Omission: letter d)	Yes
<b>Cybersecurity and information security</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		94, 95		Yes	
<b>Climate change and energy transition</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.1.1, 11.2.1, 11.3.1	123		Yes	
<b>GRI 201: Economic performance 2016</b>	201-2: Financial implications and other risks and opportunities due to climate change.	11.2.2	92, 120-121, 134-135, 137-143	201-2 v.Consolidated Annual Report 2023; Note 2.4.25k	Yes	
<b>GRI 305: Emissions 2016</b>	305-1: Direct GHG emissions (Scope 1)	11.1.5	145, 146, 149		Yes	
	305-2: Indirect GHG emissions from power generation (Scope 2)	11.1.6	146		Yes	
	305-3: Other indirect GHG emissions (Scope 3)	11.1.7	146		Yes	
	305-4: GHG emissions intensity	11.1.8	148		Yes	
	305-5: Reduction of GHG emissions	11.2.3	151		Yes	
	305-6: Emissions of ozone-depleting substances (ODS)	N.A.	168		Yes	
	305-7: Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	11.3.2	168		Yes	
<b>GRI 416: Customer Health and Safety 2016</b>	416-1: Assessment of the health and safety impacts of product and service categories	11.3.3	205-206, 215		Yes	
<b>Diversity and equality</b>						
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.11.1	225-229		Yes	

<b>GRI 401: Employment 2016</b>	401-3: Parental leave	11.11.3	230, 342-345	Yes
<b>GRI 405: Diversity and equal opportunities 2016</b>	405-1: Diversity of governance bodies and employees	11.11.5	80, 81, 83, 228, 229, 234, 235	Yes
	405-2: Ratio of basic salary and remuneration of women to men	11.11.6	254, 350, 363-364	Yes
<b>Biodiversity and natural capital</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.4.1	174	Yes
<b>GRI 304: Biodiversity 2016</b>	304-1: Operations centres owned, leased or managed located within or adjacent to protected areas or zones of great value for biodiversity outside protected areas	11.4.2	194	Yes
	304-2: Significant impacts of activities, products and services on biodiversity	11.4.3	179-186	Yes
	304-3: Habitats protected or restored	11.4.4	117, 197, 199-200	Yes
	304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations	11.4.5	197	Yes
<b>Human rights</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.12.1, 11.13.1, 11.16.1, 11.17.1, 11.18.1	70-72	Yes
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	11.12.2	108, 109, 111	Yes
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	11.12.3	108	Yes
<b>GRI 407: Freedom of association and collective bargaining 2016</b>	407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	11.13.2	105-109	Yes
<b>GRI 411: Rights of Indigenous Peoples 2016</b>	411-1 Incidents of violations involving rights of indigenous peoples	11.17.2	303	Yes
<b>Social contribution and participation</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	11.7.1, 11.14.1, 11.15.1	295	Yes
<b>GRI 402: Labor/ Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	11.7.2	239	Yes
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	11.14.2	296	Yes
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1 Infrastructure investments and services supported	11.14.4	296, 303-306	Yes
	203-2 Significant indirect economic impacts	11.14.5	296	Yes



<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	11.14.6	28, 58	Yes
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	11.15.2	303-307	Yes
	413-2 Operations with significant actual and potential negative impacts on local communities	11.15.3	303-306	Yes
<b>ESG investment and financing</b>				
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics		29-42	Yes

## SASB contents index



Code	SASB Contents	Pages	Direct response / Omission	Comments	External verification
IF-EU-110a.1	(1) Scope 1 gross worldwide emissions, percentage covered by (2) emission limitation regulations and (3) emission reporting regulations.	146, 159		Full response.	Yes
IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with energy supplies.	149		Full response.	Yes
IF-EU-110a.3	Analysis of the long- and short-term strategy or plan for managing Scope 1 emissions, emission reduction targets and analysis of results in relation to these targets.	116, 145, 151-155		Full response.	Yes
IF-EU-110a.4	(1) Number of clients served in markets subject to renewable portfolio standards (RPS) and (2) percentage of compliance with the RPS target, for each market.		Not applicable		Yes
IF-EU-120a.1	Emissions to the atmosphere of the following pollutants: (1) NO <sub>x</sub> (except N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) particulate matter (PM <sub>10</sub> ), (4) lead (Pb), and (5) mercury (Hg); the percentage of each in or near densely populated areas.	168		Full response.	Yes
IF-EU-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with high or extremely high initial water stress.	163-164, 166-167		Full response.	Yes
IF-EU-140a.2	Number of incidents of non-compliance related to water quantity or quality permits, standards and regulations.	162		Full response.	Yes
IF-EU-140a.3	Description of water management risks and analysis of strategies and practices to mitigate them.	161-162, 179-181, 183-186		Full response.	Yes
IF-EU-150a.1	Amount of waste generated by coal combustion (RCC), percentage recycled.		Not applicable	Until 2020, there were coal-fired power stations.	Yes
IF-EU-150a.2	Total number of coal combustion generated waste impoundments (CCR), broken down by hazard potential classification and structural integrity assessment.		Not applicable	Until 2020, there were coal-fired power stations.	Yes
IF-EU-240a.1	Average retail electric rate for (1) residential, (2) commercial and (3) industrial customers.	209, 340		Partial response. Data from Panama is not reported.	Yes
IF-GU-240a.1	Average retail gas rate for (1) residential, (2) commercial, (3) industrial and (4) transportation-only service customers.	209, 340		Full response.	Yes
IF-EU-240a.2	Typical monthly electricity bill for residential customers for (1) 500 kWh and (2) 1000 kWh of electricity supplied each month.	209, 340		Partial response. Data from Panama is not reported.	Yes

IF-GU-240a.2	Typical monthly gas bill for residential customers for (1) 50 MMBTU and (2) 100 MMBTU of gas supplied per year.	209, 340		Full response.	Yes
IF-EU-240a.3	Number of residential customers cut off from electricity supply due to non-payment, percentage reconnected before 30 days.	341		Full response.	Yes
IF-GU-240a.3	Number of residential customers cut off from gas supply for non-payment, percentage of services restored within 30 days.	341		Full response.	Yes
IF-EU-240a.4	Analysis of the effect of external factors on the affordability of electricity for customers, including the economic conditions of the service territory.	203, 209		Partial response. The analysis by geography is not detailed.	Yes
IF-GU-240a.4	Analysis of the effect of external factors on the affordability of gas for customers, including economic conditions of the service territory.	203, 209		Partial response. The analysis by geography is not detailed.	Yes
IF-EU-320a.1	(1) total recordable incident rate (TRIR), (2) fatality rate and (3) near miss frequency rate (NMFR).	270		Full response.	Yes
IF-EU-420a.1	Percentage of electric utility revenues that come from rate structures that (1) are decoupled and (2) contain a loss of revenue adjustment mechanism (LRAM).		Not applicable		Yes
IF-GU-420a.1	Percentage of gas utility revenues from rate structures that (1) are decoupled or (2) contain a loss of revenue adjustment mechanism (LRAM).		Not applicable		Yes
IF-EU-420a.2	Percentage of electric load supplied with smart grid technology.	341		Partial response. Data from Panama is not reported.	Yes
IF-EU-420a.3	Electricity savings by customers, thanks to efficiency measures, per market.	205-207		Only Spain is reported.	Yes
IF-GU-420a.2	Customer gas savings from efficiency measures, by market.	205-207		Only Spain is reported.	Yes
IF-EU-540a.1	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) "Shares Matrix" column.		Not applicable		Yes
IF-EU-540a.2	Description of initiatives to manage nuclear safety and emergency preparedness.	97-99		Full response.	Yes
IF-EU-550a.1	Number of incidents of non-compliance with physical or cybersecurity standards or regulations.	97		Full response.	Yes
IF-EU-550a.2	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), which includes days on which severe events occur.	217		Full response.	Yes
IF-EU-000.A IF-GU-000.A	Number of: (1) residential, (2) commercial and (3) industrial customers served.	14, 19, 22		Partial response. The total number is reported but not by category.	Yes
IF-EU-000.B	Total electricity supplied to: (1) residential customers, (2) commercial customers, (3) industrial customers, (4) all other retail customers and (5) wholesale customers.	18		Partial response. The total and percentage corresponding to the residential segment are reported.	Yes
IF-GU-000.B	Amount of natural gas supplied to: (1) residential customers, (2) commercial customers, (3) industrial customers and (4) transferred to a third party.	17		Partial response. The total number is reported, but not by category.	Yes

IF-EU-000.C	Length of transmission and distribution lines.	18		Full response.	Yes
IF-GU-000.C	Length of (1) gas transmission pipelines and (2) gas distribution pipelines.	17		Full response.	Yes
IF-EU-000.D	Total electricity generated, percentage by main energy source, percentage in regulated markets.	24		Partial response. The percentage of regulated markets is not reported.	Yes
IF-EU-000.E	Total electricity purchased in bulk.	160		Full response.	Yes
IF-GU-540a.1	Number of (1) pipeline incidents to report, (2) corrective action orders (CAOs), and (3) notices of possible violations (NOPVs).		Not applicable		Yes
IF-GU-540a.2	Percentage of distribution pipelines that are (1) cast or puddled iron and (2) unprotected steel.	97		Full response.	Yes
IF-GU-540a.3	Percentage of (1) transmission pipelines and (2) gas distribution pipelines inspected.	97		Full response.	Yes
IF-GU-540a.4	Description of efforts to manage the integrity of the gas supply infrastructure, including risks related to safety and emissions.	97		Full response.	Yes

## Índice de contenidos Task Force on Climate-Related Financial Disclosures

<b>TCFD Framework</b>	<b>Reference in the Management Report or on the internet</b>
<b>Governance</b>	
(a) Describe the board's oversight of climate-related risks and opportunities	Section 6.3 The Opportunity of Environmental Challenges / Climate Change / Climate Change Governance Pages 123-126
(b) Describe management's role in assessing and managing climate-related risks and opportunities	Section 6.3 The Opportunity of Environmental Challenges / Climate Change / Climate Change Governance Pages 123-126
<b>Strategy</b>	
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Section 6.3 The Opportunity of Environmental Challenges / Climate Change / Climate Strategy Pages 126-130
(b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning	Section 6.3 The Opportunity of Environmental Challenges / Climate Change / Climate Strategy Pages 126-130
(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Section 6.3 The Opportunity of Environmental Challenges / Climate Change / Climate Strategy Pages 126-130
<b>Risk management</b>	
(a) Describe the organisation's processes for identifying and assessing climate-related risks	Section 6.3 The Opportunity of Environmental Challenges / Climate change / Management of climate change risks and opportunities Pages 130-145
(b) Describe the organisation's processes for managing climate-related risks	Section 6.3 The Opportunity of Environmental Challenges / Climate change / Management of climate change risks and opportunities Pages 130-145
(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Section 6.3 The Opportunity of Environmental Challenges / Climate change / Management of climate change risks and opportunities Pages 130-145
<b>Metrics and targets</b>	
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Section 6.3 The Opportunity of Environmental Challenges / Climate change / Objectives and metrics Pages 145-155
(b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	Section 6.3 The Opportunity of Environmental Challenges / Climate change / Objectives and metrics Pages 145-155
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Section 6.3 The Opportunity of Environmental Challenges / Climate change / Objectives and metrics Pages 145-155

## Glossary of non-financial indicators

Indicator	Definition
<b>Investment in innovation</b>	Amount in euros allocated to innovation activities.
<b>Overall satisfaction with service quality</b>	Customers' degree of satisfaction with the quality of global service on a scale from 1 to 10 (in Chile from 1 to 7), broken down by country or geographical region.
<b>Direct greenhouse gas emissions (GHG)</b>	Greenhouse gas emissions (GHG) caused by sources owned by or controlled by the company.
<b>Emission factor for electricity generation (tCO<sub>2</sub>/GWh)</b>	Emission rate as a result of electrical generation activity arising from the ratio of the amount of atmospheric pollution emitted (tonnes of carbon dioxide) divided by energy generated (GWh).
<b>Installed capacity free of emissions (%)</b>	% that represents the installed capacity in hydro, mini-hydro, wind, nuclear and solar technologies over the total installed capacity at the year-end.
<b>Net production free of emissions (%)</b>	% representing the net output of hydro, mini-hydro, wind, nuclear and solar technologies over total net output.
<b>Activity with ISO 14001 environmental certification (%)</b>	Percentage of Ebitda corresponding to companies certified (*) by means of the environmental management model included in the ISO 14001 standard, with respect to total Ebitda generated by activities that have an environmental impact. (*): Certified companies have been included as companies assimilated to certified companies pursuant to the following definition: <ul style="list-style-type: none"> <li>- Those parent companies whose subsidiaries, of which they are more than 50% owned, are practically all certified.</li> <li>- Those companies that concentrate corporate services only from certified companies.</li> <li>- Those companies whose parent company concentrates corporate services and is certified.</li> </ul>
<b>Water consumption</b>	Volume of water consumed by the company's activities.
<b>Consumption of raw materials</b>	Thousands of tonnes of raw materials used in the company's main processes.
<b>Direct energy consumption</b>	It represents the difference between the consumption of non-renewable fuels, electricity purchased for consumption and renewable electricity generated, less the electricity and steam sold.
<b>Indirect energy consumption</b>	It represents the consumption by the final use of the natural gas distributed/ marketed.
<b>Generation of hazardous waste (kt)</b>	Amount of most representative hazardous waste generated.
<b>Resources targeted at the prevention of environmental risks</b>	Amount allocated to investments and expenditure on environmental matters.
<b>Distribution of employees by age, country, gender and professional category</b>	Distribution of employees by age, country, gender and professional category at year-end.
<b>Annual average of indefinite and temporary contracts by age, gender and professional category</b>	Percentage of employees recruited by type of contract at year-end and annual average of temporary contracts by age, gender and category.
<b>Rotation index</b>	Layoffs/average staff.
<b>Voluntary rotation index</b>	Voluntary layoffs/average staff.
<b>Number of dismissals by age, gender, and professional category</b>	Number of persons dismissed, either rightly or wrongly, classified by age, gender and professional category.
<b>Salary gap</b>	Difference between men's and women's wages, calculated as the difference between men's and women's wages, divided by men's wages. The result above zero represents the percentage of salary below men that women receive. The result below zero represents the percentage of salary above men that women receive.
<b>Average remuneration by age, gender, and professional category. Average remuneration of directors and senior managers</b>	Amount of the average remuneration of staff classified by country, age, gender and professional category. Amount of directors' and senior managers' remuneration weighted by the number of directors and executives.
<b>Personnel costs (million euro)</b>	Monetary amount representing the staff expenses for the company (wages and salaries, Social Security expenses, defined contribution plans, defined benefit plans, works performed on the company's fixed assets, and others).

<b>Percentage of employees covered by collective bargaining agreements</b>	Percentage of employees by country whose contract is covered by a collective bargaining agreement.
<b>Staff trained (%)</b>	Percentage of staff who have received training.
<b>Total training hours</b>	Total hours of training received by staff.
<b>Annual investment in training (euros)</b>	Total monetary amount invested by the company in employee training.
<b>People with disabilities integration index</b>	Percentage of employees in Spain with disabilities.
<b>No. of lost time accidents</b>	Number of work accidents with days lost (whether or not fatal).
<b>Days lost</b>	Workdays lost due to occupational accidents. Calculated from the day following the day the medical leave is received and considering calendar days.
<b>Fatalities</b>	Number of workers who have died due to work accidents.
<b>Number of hours worked</b>	Total actual hours worked in the company.
<b>Number of days lost</b>	Total days off as a result of recorded occupational accidents.
<b>Lost time accidents frequency rate</b>	Number of accidents with lost time occurring during the working day per 200,000 hours worked.
<b>Lost time accidents severity rate</b>	Number of days lost as a result of work accidents per 200,000 hours worked.
<b>Occupational illnesses</b>	Illnesses caused by work activity.
<b>Absenteeism</b>	Hours of absenteeism due to occupational and non-occupational illness.
<b>Total number of suppliers</b>	Number of suppliers who have remained active (registered in the supplier database) during the year, and who have been awarded purchases in the year; total and broken down by country.
<b>Total purchase volume awarded</b>	Total monetary amount corresponding to the awards of the year, considering 100% of the awards whose period of validity is less than 365 days, as well as the annualised amounts corresponding to 2021 for the awards of more than 365 days.
<b>Purchasing budget targeted at local suppliers (%)</b>	Amount of budget used for the procurement of suppliers located in the geographical area from where the purchases are made over the total procurement budget.
<b>ESG (Environmental, Social and Governance) supplier assessment</b>	Total number of suppliers that have been active (registered in the supplier database) during the year, evaluated in accordance with ESG criteria, regardless of whether or not they have been awarded, or have provided a service/product to Naturgy during the year.
<b>Number of critical suppliers</b>	Number of suppliers classified as "High" risk, who have remained active (registered in the supplier database) during the financial year, and who have provided products/services to Naturgy during the financial year.
<b>Official-approval suspended suppliers</b>	Suppliers who have not passed the supplier approval process.
<b>Sponsorship and social action investment</b>	Economic contribution to social action or investment and sponsorship and patronage programmes.
<b>Distribution by type of social action (%)</b>	Distribution of investments by reason for initiatives, broken down according to the London Benchmarking Group (LBG) methodology.
<b>Sponsorship and social action activities</b>	Number of sponsorship, patronage and social action activities carried out by the company.
<b>Queries and notifications to the Code of Ethics</b>	Number of communications relating to the Code of Ethics and Anti-Corruption Policy which have been received by the Code of Ethics Committee.
<b>No. of notifications received per 200 employees</b>	Ratio of number of communications received relating to the Code of Ethics and the Anti-Corruption Policy which have been received by the Code of Ethics Committee per 200 company employees.
<b>Average time for resolving notifications (days)</b>	Average number of days from the time the company receives the communications until it resolves them.
<b>Audit projects analysed on the basis of operational risks</b>	Number of audit projects analysed on the basis of operational risks.

<b>Notifications received in the area of human rights</b>	Number of communications which the company has received concerning human rights.
<b>Number of persons trained on the Human Rights Policy</b>	Number of employees who have taken part in training on the Human Rights Policy.
<b>Tax contribution</b>	Amount of taxes actually paid by country and segmented between those that represent an effective expense for the group and those that are withheld or passed on to the end taxpayer.



### 3. Greenhouse gas (GHG) emissions inventory calculation methodology

#### Assessment and reduction of uncertainty

The uncertainty associated with reporting Scope 1 emissions for 2020 is 6.8%.

For facilities under the EU Emissions Trading Scheme, in accordance with Decision 2007/589/EC of 18 July, uncertainties regarding GHG emission values will be lower than those corresponding to the approach levels approved by the competent authority. For all other emission sources, the uncertainty associated with the calculation of GHG emissions is a combination of the uncertainties associated with the activity data and emission factors, using the references established in 2.38. IPCC 2006 GHG, vol. 2, table 2.12.

To minimise the uncertainty associated with the activity data, all emission sources have environmental and quality management systems that conform to ISO 14001:2015 and ISO 9001:2015 standards. In order to minimise the uncertainty associated with the emission factors, official sources are always used, as are, by default, the core values recognised in the 2006 IPCC Guidelines for GHG Inventories.

#### Methodology

To quantify Naturgy's greenhouse gas emissions, an application and calculation methodology has been developed based on the following standards and methodologies:

- Scopes 1, 2 and 3 emissions are included according to “The Greenhouse Gas Protocol. A Corporate accounting and reporting standard”.
- Scope 3 reported in accordance with Corporate Value Chain (Scope 3).
- It includes the emissions of the six GHG set out in IPCC in accordance with the 2006 IPCC Guidelines for national GHG inventories (hereinafter 2006 IPCC GHG).
- Standard UNE-ISO 14064-1. Greenhouse gases. Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.
- Standard UNE-ISO 14064-2. Greenhouse gases. Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.
- Standard UNE-ISO 14064-3. Greenhouse gases. Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.
- Definition of the life cycle in accordance with the UNE- EN-ISO 14040 and ENE-EN-ISO 14044 standards for life cycle analysis.
- Specific emission factors are used in accordance with the 2006 IPCC guidelines for national GHG inventories (hereinafter 2006 IPCC GHG) and other verifiable documentary and bibliographic sources.

#### Operational limits

Naturgy's carbon footprint inventory includes GHG emissions from the following group activities:

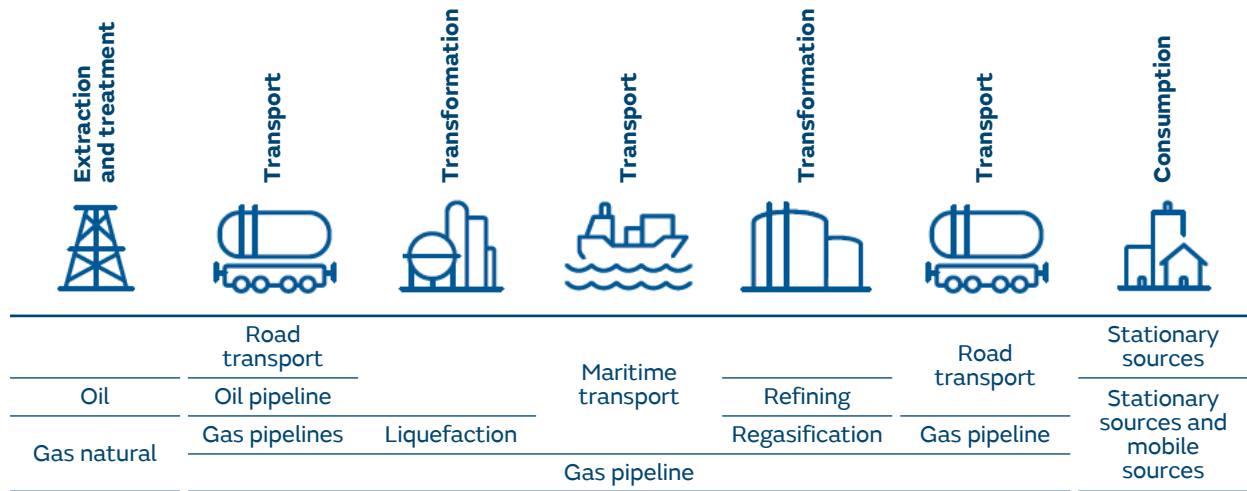
- Extraction, road transport, maritime transport, distribution and commercialisation of natural gas.
- Thermal power stations from coal and fuel oil, combined-cycle power stations, cogeneration, generation at wind farms, photovoltaic power stations and hydroelectric power stations.
- Distribution of electrical power.
- Offices, fleets and travel.

Within the aforementioned activities, different calculation units corresponding to each of the facilities comprising those activities have been defined. These calculation units or facilities are treated according to the global consolidation criteria, in accordance with the shareholding percentages.

#### Life cycles of fuels used

Energy (fuels, electricity) is consumed throughout the various processes, producing emissions throughout its life cycle. A diagram with the life cycles of the main fuels used is included below.

The fuels used in both fixed sources (fuels from thermal power stations, offices, gas transport and distribution facilities, etc.) and in mobile sources have been considered.



### 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: emissions derived from the movement of employees by plane, train or any other means of transport not belonging to the fleet of vehicles owned by the group. It is divided into two subcategories:
  - Trips made by company employees by train.
  - Trips made by company employees by plane.
- Employees commutes: emissions derived from employees commuting from their respective homes to the workplace.
- End use of products sold: emissions derived from the combustion of products, which correspond to those derived from the combustion of natural gas sold by the group to the customer, discounting the gas consumed within the organisation.
- Investments: includes emissions derived from the investment in Unión Fenosa Gas.

## Organisational limits

The GHG emissions inventory in the Carbon Footprint Report includes all businesses and activities under financial consolidation criteria, according to the shareholding percentages.

## Emission factors used

Unit	Unit	Value	Source
LCV ng	MJ/kg	48.62	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
HCV ng	MJ/kg	53.96	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV petrol	MJ/kg	42.11	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV diesel/gas oil A & C Spain	MJ/kg	43.2	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV ethanol	MJ/kg	26.8	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV biodiesel	MJ/kg	33	IDAE: <a href="https://www.idae.es/biocarburantes">https://www.idae.es/biocarburantes</a>
LCV fuel oil	MJ/kg	40.4	IMO: International Maritime Organization
Density ng	kg/m <sup>3</sup>	0.777	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density petrol	kg/l	0.745	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density diesel/gas oil A	kg/l	0.9	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density diesel/gas oil C	kg/l	0.9	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density ethanol	kg/l	0.778	IDAE: Biocarburantes
Density biodiesel	kg/l	0.892	IDAE: Biocarburantes
Density methane	kg/m <sup>3</sup>	0.7175	Metano Fichas técnicas
Density propane	kg/l	0.5185	Real Decreto 61/2006, de 31 de enero
LCV propane	MJ/kg	46.2	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
HCV propane	MJ/kg	49.98	Ficha producto CEPSA
EF CO <sub>2</sub> petrol	kg CO <sub>2</sub> /GJ	71.3057	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH <sub>4</sub> petrol	kg CH <sub>4</sub> /GJ	0.0077	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF N <sub>2</sub> O petrol	kg N <sub>2</sub> O/GJ	0.0008	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CO <sub>2</sub> diesel/gas oil A	kg CO <sub>2</sub> /GJ	74.1	Guía para el cálculo de la Huella de Carbono de la OECC v.15 (junio 2020)
EF CO <sub>2</sub> diesel/gas oil C	kg CO <sub>2</sub> /GJ	74.1	Guía para el cálculo de la Huella de Carbono de la OECC v.15 (junio 2020)
EF CH <sub>4</sub> diesel/gas oil fixed sources ("fs")	kg CH <sub>4</sub> /GJ	0.01	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O diesel/gas oil fs	kg N <sub>2</sub> O/GJ	0.0006	Sistema Español de Inventario de Emisiones
EF CO <sub>2</sub> MDO carriers	t CO <sub>2</sub> /t MDO	3.206	IMO: International Maritime Organization
EF CH <sub>4</sub> diesel/gas oil mobile sources ("ms")	kg CH <sub>4</sub> /GJ	0.0002	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF N <sub>2</sub> O diesel/gas oil ms	kg N <sub>2</sub> O/GJ	0.0033	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH <sub>4</sub> diesel/gas oil power generation	kg CH <sub>4</sub> /GJ	0.003	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O diesel/gas oil electric generation	kg N <sub>2</sub> O/GJ	0.0006	Sistema Español de Inventario de Emisiones
EF CO <sub>2</sub> HFO carriers	t CO <sub>2</sub> /t HFO	3.1144	IMO: International Maritime Organization
EF CH <sub>4</sub> fuel oil ms	kg CH <sub>4</sub> /GJ	0.0071	España, Informe Inventarios GEI 1990-2020 (Edición 2022).

EF N <sub>2</sub> O fuel oil ms	kg N <sub>2</sub> O/GJ	0.002	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH <sub>4</sub> fuel oil electricity generation	kg CH <sub>4</sub> /GJ	0,003	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O fuel oil electricity generation	kg N <sub>2</sub> O/GJ	0.0003	Sistema Español de Inventario de Emisiones
EF CH <sub>4</sub> domestic coal	kg CH <sub>4</sub> /GJ	0.0006	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O domestic coal	kg N <sub>2</sub> O/GJ	0.0008	Sistema Español de Inventario de Emisiones
EF CH <sub>4</sub> imported coal	kg CH <sub>4</sub> /GJ	0.0006	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O imported coal	kg N <sub>2</sub> O/GJ	0.0008	Sistema Español de Inventario de Emisiones
EF CH <sub>4</sub> coke	kg CH <sub>4</sub> /GJ	0.0003	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O coke	kg N <sub>2</sub> O/GJ	0.0025	Sistema Español de Inventario de Emisiones
EF CO <sub>2</sub> natural gas	kg CO <sub>2</sub> /GJ	56.04	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH <sub>4</sub> natural gas fs	kg CH <sub>4</sub> /GJ	0.005	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O natural gas fs and electricity generation	kg N <sub>2</sub> O/GJ	0.0001	Sistema Español de Inventario de Emisiones
EF CH <sub>4</sub> natural gas ms	kg CH <sub>4</sub> /GJ	0.0496	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O natural gas ms	kg N <sub>2</sub> O/GJ	0	Sistema Español de Inventario de Emisiones
EF CH <sub>4</sub> natural gas electricity generation	kg CH <sub>4</sub> /GJ	0.001	Sistema Español de Inventario de Emisiones
EF CO <sub>2</sub> LNG carriers	tCO <sub>2</sub> /tGNL	2.75	IMO: International Maritime Organization
EF CH <sub>4</sub> natural gas carriers	kg CH <sub>4</sub> /GJ	0.0496	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O natural gas carriers	kg N <sub>2</sub> O/GJ	0	Sistema Español de Inventario de Emisiones
EF CO <sub>2</sub> propane	kg CO <sub>2</sub> /GJ	64.2	OECC
EF CH <sub>4</sub> propane ms	kg CH <sub>4</sub> /GJ	0.062	Sistema Español de Inventario de Emisiones
EF N <sub>2</sub> O propane ms	kg CO <sub>2</sub> /GJ	0.0002	Sistema Español de Inventario de Emisiones
EF CH <sub>4</sub> propane fs	kg CO <sub>2</sub> /GJ	0.005	Sistema Español de Inventario de Emisiones
EF NO <sub>2</sub> propane fs	kg CO <sub>2</sub> /GJ	0.0001	Sistema Español de Inventario de Emisiones
GWP Methane	kg CO <sub>2</sub> /kg CH <sub>4</sub>	28	IPCC 6th Assessment Report
GWP SF <sub>6</sub>	kg CO <sub>2</sub> /t SF <sub>6</sub>	23500000	IPCC 6th Assessment Report
GWP N <sub>2</sub> O	kg CO <sub>2</sub> /t N <sub>2</sub> O	265000	IPCC 6th Assessment Report

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GWP HFC	kg CO <sub>2</sub> /t HFC	12,400,000	IPCC 6th Assessment Report
GWP PFC	kg CO <sub>2</sub> /kg PFC	11,100,000	IPCC 6th Assessment Report

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## 13. Verification letters

## Independent Review Report on the Sustainability Report and Non-Financial Information Statement



KPMG Auditores, S.L.  
Paseo de la Castellana, 259C  
28046 Madrid

### **Independent Assurance Report on the Sustainability Report and Non-Financial Information Statement of Naturgy Energy Group, S.A. and subsidiaries for 2023**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)*

To the Shareholders of Naturgy Energy Group, S.A.:

We have been engaged by Naturgy Energy Group, S.A. management to perform a limited assurance review of the accompanying Sustainability Report and Non-Financial Information Statement of Naturgy Energy Group, S.A. (hereinafter the Parent) and subsidiaries (together the Group) which forms part of the Group's consolidated director's report for 2023 and has been prepared on the basis of the Sustainability Reporting Standards (hereinafter GRI standards) and the indicators of the Sustainability Accounting Standards Board (SASB) for the Electric Utilities & Power Generators and Gas Utilities & Distributors sectors (hereinafter the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review of the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2023, included in the accompanying Report, which has been prepared in accordance with prevailing mercantile legislation and following the criteria of the selected GRI Standards.

The Report includes additional information to that required by the GRI Standards, the SASB indicators for the "Electric Utilities & Power Generators" and "Gas Utilities & Distributors" sectors and by the prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. Our work was limited exclusively to providing assurance on the information identified in the "GRI Content Index", "SASB Content Index" and the content index required by Law 11/2018 of 28 December 2018 in section "2. Additional information" included in the accompanying Report.

#### **Responsibility of the Parent's Directors**

The Directors of the Parent are responsible for the content and authorisation for issue of the Report, which includes the NFIS and forms part of the Group's Consolidated Directors' Report. The Report has been prepared in accordance with prevailing mercantile legislation and taking as a reference the GRI Standards and the SASB indicators for the "Electric Utilities & Power Generators" and "Gas Utilities & Distributors" sectors, based on each subject area in the "SASB Content Index" and the content index required by Law 11/2018 of 28 December 2018 in section "2. Additional information" included in the accompanying Report.

KPMG Auditores S.L. is a public company of incorporation in Spain and a member of the organization ICAE de KPMG de firma miembro independiente afiliada a KPMG International Limited, sociedad inglesa limitada por acciones. Todos los derechos reservados.  
Paseo de la Castellana, 259C 28046 Madrid

Rag. Man. Madrid, T. 1 (001), F. 05, Sec. 6, R. M. 1080/2017, Inscrit. B. 3115-5-18801009





This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the Report was obtained.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 (ISQM1), which requires the firm to design, implement and operate a quality management system that include policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

### **Our Responsibility**

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and areas of the Group that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Group and described in the "11. About this report" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2023.



3

- Review of the information relative to the risks, policies and management approaches applied in relation to the material topics presented in the Report for 2023.
- Corroboration, through sample testing, of the information relative to the content of the Report for 2023 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

### Conclusion

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Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

- a) The Sustainability Report and Non-Financial Information Statement of Naturgy Energy Group, S.A. and subsidiaries for the year ended 31 December 2023 has not been prepared, in all material respects, following the GRI Standards and the SASB indicators for the "Electric Utilities & Power Generators" and "Gas Utilities & Distributors" sectors.
- b) The NFIS of Naturgy Energy Group, S.A. and subsidiaries for the year ended 31 December 2023, included in the Report, has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards, based on each subject area in the content index required by Law 11/2018 of 28 December 2018 in section "2. Additional information" included in the accompanying Report.

### Emphasis of Matter

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Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and the delegated acts promulgated in accordance with this Regulation, stipulate the obligation to disclose information on how and to what extent the undertaking's activities are associated with eligible economic activities relating to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems (the other environmental objectives), and relating to certain new activities included in the objectives of climate change mitigation and adaptation. This obligation applies for the first time for the 2023 fiscal year, in addition to the information related to eligible and aligned activities required in 2023 associated with the climate change mitigation and climate change adaptation objectives. Therefore, no comparative information on eligibility has been included in the attached Report for the other environmental objectives listed above or for the new activities included in the climate change mitigation and adaptation objectives. Furthermore, inasmuch as the information relating to 2023 was not required to be as detailed as in 2023, the disclosures included in the attached Report are not strictly comparable. Additionally, the Directors of the Parent have included information on the criteria that, in their opinion, enable them to comply better with the aforementioned obligations, which are defined in the "EU Taxonomy Report



(Regulation 2020/852)\* section of the accompanying Report. Our conclusion is not modified in respect of this matter.

### **Use and Distribution**

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In accordance with the terms of our engagement letter, this Report has been prepared for Naturgy Energy Group, S.A. in relation to its Sustainability Report and Non-Financial Information Statement and for no other purpose or in any other context.

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Patricia Reverter Guillot

February 27, 2024

## Independent Verification Statement on the Emission of Greenhouse Gases



### INDEPENDENT VERIFICATION STATEMENT

This Independent Verification Statement is an extract from the Verification Report of verico SCE, number LK-2023-04-HC-NATURGY, prepared as a result of the verification process of Naturgy's Greenhouse Gas Emission Inventory 2023.

**Naturgy** has commissioned **verico SCE** to carry out the verification of the Greenhouse Gas Emissions Inventory for the year 2023, contained in the document " Sustainability Report and Statement of Non-Financial Information ", corresponding to the corporate carbon footprint for the period 2023.

During the verification process of the Greenhouse Gas Emission Inventory 2023, the following elements are reviewed:

- Consistency of the report with previous reports and the emission allocation procedure.
- Implementation of monitoring processes
- Compliance with measures to ensure the accuracy of the required measurements and their quality.
- Information on fuels and raw materials
- Data management
- Completeness and correctness of manual and electronic data flow
- Internal quality control

The verification process checks and confirms the correctness, by an independent third party, of the information given in the annual emissions report, and also examines the annual emissions and the implementation of internal control and management procedures.



### Scope:

**Naturgy** operates in the regulated and deregulated gas and electricity markets, mainly in the following areas:

- Gas and electricity distribution
- Electricity generation and trading
- Gas infrastructure, supply and marketing

The organization has decided to include scopes 1, 2 and 3 in its Greenhouse Gas Emission Inventory..

- Scope 1:
  - Direct GHG emissions, understood as those coming from sources that are controlled by the company itself.
  - These are mainly due to CO<sub>2</sub> emissions from thermal generation of electricity and CH<sub>4</sub> diffuse emissions from natural gas distribution networks.
- Scope 2:
  - Indirect emissions due to electricity generation that is purchased by the company for its own consumption but is not generated by the group.
  - These are mainly due to CO<sub>2</sub> emissions associated with losses in electricity distribution.
- Scope 3:
  - Indirect emissions, not included in Scope 2, arising from the value chain of activities, including upstream and downstream emissions, over which the group does not have direct control or influence. Within the categories defined by the GHG Protocol, emissions with a weighting of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%.
  - These are mainly due to CO<sub>2</sub> emissions in the combustion of natural gas from the end use of the natural gas distributed and marketed.

Inventory coverage groups the entire corporate activity, differentiating the following business segments

1. Generation
2. Electricity Distribution
3. Gas Distribution
4. Gas (infrastructure, supply and marketing of natural gas)
5. Administrative buildings

The Greenhouse Gases contemplated in this carbon footprint calculation are:

- CO<sub>2</sub>
- CH<sub>4</sub>
- N<sub>2</sub>O
- SF<sub>6</sub>
- HFC



### Inventory Result 2023:

The aggregate result of the Greenhouse Gas Emissions Inventory 2023 is as follows:

Naturgy GHG Emissions Inventory 2023	
	tCO <sub>2</sub> e
<b>Scope 1</b>	<b>12,463,378</b>
<b>Scope 2</b>	<b>397,497</b>
<b>Scope 3</b>	<b>101,726,269</b>
1. Goods and Services purchased	186,131
2. Capital goods	
3. Activities associated with fuels and energy upstream	25,367,070
6. Business travels	2,068
7. Worker mobilization	5,408
8. Upstream leased assets	
9. Downstream transport and distribution	
10. Processing of products sold	
11. Use of products sold	76,165,592
12. End-of-life treatment for products sold	
13. Downstream Leased assets	
14. Franchises	
15. Investments	



### Verification Statement

verico SCE has carried out the verification of the Greenhouse Gas Emissions Inventory of the year 2023, contained in the document "Carbon Footprint Report 2023", corresponding to Naturgy's corporate carbon footprint for that monitoring period, in accordance with the requirements established in the UNE-ISO 14064 and GHG Protocol standards (for the definition of sectoral scopes), and the other rules applicable to Naturgy's Greenhouse Gas Emissions Inventory.

The verification team of verico SCE has reached the opinion that naturgy's Greenhouse Gas Emissions Inventory 2023, is prepared in accordance with the requirements defined in the Standard, complies with the greenhouse gas quantification methodology, and the monitored data and the calculation of emissions are evaluated and confirmed as substantially correct. Verico SCE therefore hereby confirms that the emissions reported during the monitoring period for 2023 amount to **114,587,144 tCO<sub>2</sub>e**

Madrid, 15/02/2024

A handwritten signature in blue ink, appearing to read "J. Gesto", written over a horizontal line.

JOSE ANTONIO GESTO  
Lead Verifier

VERICO SCE is a European Cooperative Society accredited by the Accreditation Body in Germany, DAkkS (D-VS-19003-01-00), for the verification of Greenhouse Gas emissions, according to ISO 14065 (translated as UNE EN ISO 14065 in Spain and DIN EN ISO 14065 in Germany) and EU Regulation nº 600/2012. Likewise, VERICO SCE is accredited for the verification of non-regulated schemes, such as EN ISO 14064-1; IN ISO 14064-2; and EN ISO 14064-3.

## Green Bond Independent Review Report



KPMG Asesores S.L.  
P<sup>o</sup>. de la Castellana, 259 C  
28046 Madrid

### **Independent Limited Assurance Report on the “2023 Green Bond Report” of Naturgy**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To management of Naturgy Energy Group, S.A.:

Pursuant to our engagement letter dated January 2024, we have performed an independent limited assurance review of the “2023 Green Bond Report” (hereinafter the Report), included in section 5. “Sustainable Finance and Taxonomy” of the accompanying 2023 Sustainability Report and Statement of Non-Financial Information of Naturgy Energy Group, S.A. (hereinafter Naturgy) and subsidiaries prepared in accordance with the Naturgy Green Bond Framework available at <https://www.naturgy.com/accionistas-e-inversores/inversores/renta-fija/programa-euro-medium-term-notes-emty/bono-verde/> and with the 2021 Green Bond Principles (and the update of Appendix 1 in June 2022), published by the International Capital Market Association (ICMA).

We have likewise examined, with the same level of assurance, whether the environmental benefit indicators included in the Report have been prepared and presented in accordance with the criteria defined in “Glossary of indicators: Environmental benefit indicators” of the Report.

#### **Responsibilities of Naturgy Management**

Naturgy management is responsible for the preparation and presentation of the Report in accordance with the provisions of the Naturgy Green Bond Framework and the 2021 Green Bond Principles (and the update of Appendix 1 in June 2022), published by the ICMA. Naturgy management is responsible for the selection of the environmental benefit indicators presented in the Report and for their preparation and presentation in accordance with the criteria defined in “Glossary of indicators: Environmental benefit indicators” of the Report.

This responsibility encompasses the design, implementation and maintenance of such controls as management determines are necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.





*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

## Our Responsibility

Our responsibility consists of examining the Report and issuing an opinion thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and perform our procedures to obtain limited assurance on whether the Report complies, in all material respects, with the criteria set out in the Naturgy Green Bond Framework and the 2021 Green Bond Principles (and the update of Appendix 1 in June 2022) published by the ICMA and whether the environmental benefit indicators included in the Report have been prepared and presented, in all material respects, in accordance with the criteria defined in "Glossary of indicators; Environmental benefit indicators" of the Report.

Our firm applies the International Standard on Quality Management 1 (ISQM1), which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our limited assurance work consisted of making inquiries of management and persons responsible for the preparation of the information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Analysing the evidence gathering procedures and internal control over quantitative data related to the environmental benefit indicators reflected in the Report, as regards the reliability of the information, by using analytical procedures and review testing based on sampling.
- Assessing the relevance of the environmental benefit indicators with respect to Naturgy's activity, its sustainability strategy and the commitments it has undertaken in this respect.
- Reading the information included in the Report to determine whether it is in line with our overall knowledge and experience as regards Naturgy's sustainability strategy and targets.
- Contracting the remaining non-financial information reflected in the Report against that included in the Non-Financial Information Statement and Sustainability Report of Naturgy.

Our multidisciplinary team included specialists in social and environmental performance of companies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

## **Conclusion**

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Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

- a) The Report has not been prepared, in all material respects, in accordance with the criteria established by the Naturgy Green Bond Framework and the 2021 Green Bond Principles (and the update of Appendix 1 in June 2022), published by the International Capital Market Association.
- b) The environmental benefit indicators included in the Report have not been prepared and presented, in all material respects, in accordance with criteria defined in "Glossary of indicators: Environmental benefits indicators" of the Report.

## **Use and Distribution**

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In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Naturgy in relation to its Green Bond Report included in its 2023 Sustainability Report and Non-financial Information Statement and for no other purpose or in any other context.

KPMG Asesores, S.L.

*(Signed on original in Spanish)*

Patricia Reverter Guillot

27 February 2024

**ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES**

IDENTIFICATION OF ISSUER

ENDING DATE OF REFERENCE FINANCIAL PERIOD 31/12/2023

CIF A-08015497

Registered Name:

NATURGY ENERGY GROUP, S.A.

Registered Office:

Avenida de América, 38 – 28028 Madrid

## A. OWNERSHIP STRUCTURE

A.1 Including, where applicable, those corresponding to shares with loyalty voting rights, at the end of the financial year:

Indicate whether the company's articles of association contain provision for double loyalty voting:

Yes  No

Date of approval at the general meeting:

Minimum period of uninterrupted ownership required by the articles of association:

Indicate whether the company has attributed loyalty votes:

Yes  No

Date of last change of share capital	Share capital (€)	Number of shares	Number of voting rights (not including additional votes attributed for loyalty)	Number of additional voting rights attributed corresponding to loyalty voting shares	Total number of voting rights, including additional votes attributed on the basis of loyalty
21/07/20	969.613.801	969.613.801	969.613.801		

Número de acciones inscritas en el registro especial \_\_\_\_\_

pendiente de que se cumpla el periodo de lealtad \_\_\_\_\_

Comments \_\_\_\_\_

Please indicate if there are different types of shares with different rights associated:

Yes  No

Class	Number of shares	Face value	Number of voting rights	Rights and obligations conferred by

Comments \_\_\_\_\_

A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, including directors having a significant shareholding:

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

Name or company name of shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	Of the total number of voting rights attributed to the shares, indicate, if applicable, the additional votes attributed that correspond to the shares with loyalty voting	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		20,6%				20,6%
SOCIÉTÉ NATIONALE POUR LA RECHERCHE, LA PRODUCTION, LE TRANSPORT, LA TRANSFORMATION ET LA COMMERCIALISATION DES HYDROCARBURES	4,1%				4,1%		
FUNDACIÓ N BANCARIA CAIXA D'ESTALVIS I PENSIONS DE BARCELONA		26,7%			26,7%		
CVC Capital Partners SICAV-FIS S.A.		20,7%			20,7%		
IFM GLOBAL INFRASTRUCTURES FUND.		14,90%			14,90%		

**Detail of the indirect holding:**

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

<b>Name or corporate name of the indirect owner</b>	<b>Name or corporate name of the direct owner</b>	<b>% voting rights attributed to shares (including out of loyalty)</b>	<b>% voting rights through financial instruments</b>	<b>Total % of voting rights</b>	<b>Of the total number of voting rights attributed to the shares, indicate, if applicable, the additional votes attributed that They correspond to shares with voting loyalty</b>
GLOBAL INFRASTRUCTURE PARTNER III <sup>(1)</sup>	GIP III CANARY 1, S.À R.L.	20,6%		20,6%	
FUNDACION BANCARIA CAIXA D'ESTALVIS i PENSIONS DE BARCELONA	CRITERIA CAIXA S.A.U.	26,70%		26,70%	
CVC Capital Partners SICAV-FIS S.A. <sup>(2)</sup>	RIOJA ACQUISITION S.À R.L.	20,7%		20,7%	
IFM Global Infrastructure Fund <sup>(3)</sup>	Global InfraCo O (2) S.à. r.l.	14,90%		14,90%	

**Observaciones**

For the sake of clarity, the above percentages have been calculated on the basis of the share capital. As there are 8,879,595 treasury shares (section A.9) which therefore have no voting rights, the percentage of significant shareholders in terms of voting rights is slightly higher than the percentage in terms of share capital.

(1) GIP III Canary 1 S.à.r.l. is an investment vehicle controlled by the private fund Global Infrastructure Partners III whose investment manager is Global Infrastructure Management LLC, a US-based specialist infrastructure fund manager.

(2) Rioja Acquisition S.à.r.l is indirectly majority owned (74.269%) by CVC Fund VII. CVC Capital Partners VII Limited is the general partner and manages each of CVC Capital Partners VII (A) L.P, CVC Capital Partners VII Associates L.P and CVC Capital Partners Investment Europe VII L.P (together, CVC Fund VII). CVC Capital Partner VII Limited is controlled by CVC Capital Partners SICAV-FIS S.A. 25.731% of Rioja Acquisition S.à.r.l is indirectly owned by Corporación Financiera Alba S.A.

(3) Global InfraCo O (2) S.à. r.l. held as at 31 December 2023 14.9% of the voting rights is indirectly owned by the Trust IFM Global Infrastructure Fund whose principal advisor is IFM Investors Pty Ltd which, in turn, has no legal personality and is represented and acts through the regulated trustee, Conyers Trust Company (Cayman) Limited. IFM GIF maintains its participation in Global InfraCo O (2) S.à r.l. through a chain of companies headed by Global InfraCo S.à r.l. In this sense, the direct shareholder of Naturgy Energy Group, S.A. is a company owned 100% by Global InfraCo O (1) S.à r.l., which is in turn owned 100% by Global InfraCo Spain, S.L.U., which is in turn owned 100% by Global InfraCo Spain, S.L.U., which is in turn owned 100% by Global InfraCo S.à r.l. Global InfraCo NL Coöperatief U.A. is 99.9995% owned by Global InfraCo S.à.r.l., which is in turn owned 100% by Global InfraCo Spain, S.L.U., which is in turn owned 100% by Global InfraCo NL Coöperatief U.A. InfraCo S.à r.l., with the remaining 0.0005% owned by IFM GIF. Finally, Global InfraCo S.à r.l. is 100% owned by IFM GIF.

**Indicate the most significant changes in the shareholder structure occurred during the year:**

**Most significant movements**

There have been no significant movements in the year

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

Name or company name of shareholder	Date of the transaction	Description of the transaction
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**A.3 Complete the following tables regarding the members of the company's Board of Directors who hold voting rights over the company shares:**

Name or company name of Director	% voting rights attributed to the shares		% voting rights through financial instruments		% of total voting rights	% voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. FRANCISCO REYNES MASSANET		0,008			0,008		
RIOJA S.À.R.L	0				0		
THEATRE DIRECTORSHIP SERVICES BETA, S.à.r.l.	0				0		
Mrs. LUCY CHADWICK	0				0		
Mr. PEDRO SAINZ DE BARANDA RIVA		0,002			0,002		
Mr. RAMÓN ADELL RAMÓN	0,002				0,002		
Mrs. ISABEL ESTAPÉ TOUS	0,0005				0,00		
Mr. CLAUDIO SANTIAGO PONS	0				0		
Mr. ENRIQUE ALCANTARA-GARCIA IRAZOQUI	0,003				0,003		
Mr. JAIME SILES FERNÁNDEZ PALACIOS	0				0		
Mrs. HELENA HERRERO STARKIE	0				0		
Mr. RAJARAM RAO	0				0		
<b>% total voting rights held by the Board of Directors</b>						<b>0,015 %</b>	

**Comments**

Detail of the indirect holding

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

Name or company name of Director	Name or company name of the direct holder	% derechos de voto atribuidos a las acciones (incluidos votos por lealtad)% voting rights attributed to the shares	% voting rights through financial instruments	% of total voting rights	% voting rights that can be transferred through financial instruments
Mr.. Francisco Reynés Massanet	ABREYGI, SL	0,008			
Mr.. Pedro Sáinz de Baranda Riva	INVERSORES DE TORNÓN S.L.	0,002			

**Give details of the total percentage of voting rights represented on the board:**

**total % of voting rights represented on the board of directors** 0,01 %

**Observations:**

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**A.4 Indicate, where applicable, the family, commercial, contractual or corporate relations which could exist between the owners of significant stakes, provided they are known by the company, unless they are irrelevant or arise from normal trading activities, excluding those enquired about in section A.6:**

Name or company name of related parties	Relationship type	Brief outline

**Observations**

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**A.5 Indicate, where applicable, the commercial, contractual or corporate relations which could exist between the holders of significant shares and the company and/or its group, unless they are irrelevant or arise from normal trading activities:**



**Naturgy Energy Group, S.A. and subsidiaries  
2023**

<b>Name or company name of related parties</b>	<b>Relationship type</b>	<b>Brief outline</b>
CRITERIA CAIXA S.A.U	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.
CVC Capital Partners SICAV-FIS S.A.	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.
GIP III CANARY 1, S.À R.L.	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.
IFM GLOBAL INFRASTRUCTURES FUND.	COMMERCIAL	Existing relationships arise in the ordinary course of business and, where applicable, are referred to in section D.2 and in the annual accounts.

A.6 Describe the relationships, unless they are scarcely relevant to the two parties that exist between the significant shareholders or those represented on the board and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, give details of those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of board members, or representatives of directors, of the listed company, who are, in turn members of the administrative body, or their representatives, in companies that hold significant holdings in the listed company or in entities of the group of said significant shareholders.

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

<b>Name or company name of related director or representative</b>	<b>Name or company name of significant related shareholder</b>	<b>Company name of the significant shareholder group</b>	<b>Description of the relationship/ position</b>
MR. ENRIQUE ALCANTARA-GARCIA IRAZOQUI	CRITERIA CAIXA S.A.U	Criteria Caixa S.A.U	Proprietary/ Director
MRS. ISABEL ESTAPÉ TOUS	CRITERIA CAIXA S.A.U	Criteria Caixa S.A.U	Proprietary/ Director
MR. RAMÓN ADELL RAMÓN	CRITERIA CAIXA S.A.U	Criteria Caixa S.A.U	Proprietary
MRS. LUCY CHADWICK.	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		Proprietary/ Partner
MR. RAJARAM RAO	GLOBAL INFRASTRUCTURE MANAGEMENT LLP		Proprietary/ Partner
MR.. JAVIER DE JAIME GUIJARRO	CVC CAPITAL PARTNERS SICAV-FIS S.A.		Proprietary/ Employee
MR.. JOSÉ ANTONIO TORRE DE SILVA LÓPEZ DE LETONA	CVC CAPITAL PARTNERS SICAV-FIS S.A.		Proprietary/ Employee
MR JAIME SILES FERNANDEZ PALACIOS	IFM GLOBAL INFRASTRUCTURES FUND		Proprietary/ Employee

**Observations**

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**A.7 Indicate whether or not the company has been notified of parallel shareholders agreements that affect it as per Articles 530 and 531 of the Spanish Corporate Enterprises Act. Where applicable, give a brief description and list the shareholders associated with the agreement:**

**Yes  No**

<b>Parties to parallel shareholders agreements</b>	<b>% of share capital affected</b>	<b>Brief outline of agreement</b>	<b>Expiration date of the agreement, if there is one</b>
CRITERIA CAIXA, S.A.U GIP III CANARY 1, S.À R.L.	47,3%	The agreement reported in Relevant Fact No. 242612 of 12/09/2016 specifies that the intervening parties assume certain undertakings concerning corporate governance of the Company and which are for the purpose of respecting the rights to proportional representation both on the Board as well as on Committees.	
ALBA EUROPE S.À R.L. RIOJA CAPITAL RESEARCH AND MANAGEMENT COMPANY INVESTMENT S.À R.L.,	20,7%	The agreement reported in Relevant Fact No. 265818 of 18 May 2018 was modified on 1 August 2019 to include the new shareholder, Rioja Acquisitions SARL replacing Rioja Bidco Shareholdings (Relevant Fact Nº 281047). This Agreement affects 1.- The proposal for designation of directors in representation of Rioja Acquisitions Sarl, 2.-The adoption of decisions on the Board at the Meeting, and 3.- The system for transfer of shares.	
Global InfraCo O (2) S.à. r.l. GIP III CANARY 1, S.À R.L.	35,5	According to the letter dated 25 January 2021 attached by IFM to the previous announcement of the takeover bid, it has entered into an agreement with GIP in which GIP undertakes to vote in favour and support resolutions and actions at an initial or subsequent General Shareholders' Meeting, with the objective that the composition of Naturgy's Board of Directors reflects the principle of proportional representation taking into account the CNMV's corporate governance recommendations of June 2020, and subject to GIP and IFM maintaining a stake of over 5% in Naturgy's share capital.	
Global InfraCo O (2) S.à. r.l. RIOJA ACQUISITION S.À R.L.	35,6	According to the letter dated 25 January 2021 attached by IFM to the previous announcement of the takeover bid, it has entered into an agreement with Rioja in which the latter undertakes to vote in favour and support reasonable resolutions and actions at the General Shareholders' Meeting with the objective that the composition of Naturgy's Board of Directors be adjusted to reflect the principle of proportional representation established by Spanish law.	

Indicate whether or not the company is aware of the existence of concerted actions among its shareholders.  
Give a brief description as applicable:

Yes  No

Parties to concerted action	% of share capital affected	Brief description of the concerted action	Expiry date of the concerted action, if there is one

If any modification or cancellation of said agreements or concerted actions have taken place during the year, please make express mention of this:

NOT APLICABLE

A.8 Indicate whether any individual or legal entity currently exercise control or could exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify:

Yes  No

Name or company name

Observations

A.9 Complete the following table on the company's treasury share:

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
240.000,00	8.639.595,00	0,916%

Observations

Details of significant changes

(\*) Through

<b>Name or company name of the direct direct holder of the interest</b>	<b>Number of direct shares</b>
Naturgy Alfa Investments S.A.	8.639.595
Total:	8.639.595

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**Observations**

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**Explain the significant changes during the year:**

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**Explain the significant changes**

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N/A

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**A.10. Give details of the terms and conditions corresponding to the General Meeting of Shareholders current mandate to the Board of Directors for issuing, repurchasing or assigning own shares.**

1.- The General Meeting of Shareholders held on 5 March 2019, in item 5 on the Agenda, authorised the Board of Directors to agree to acquire company shares by onerous title and to do so within a deadline of five (5) years, under the following conditions:

*Fifth.- To authorise the Board of Directors so that over a term of five (5) years it can acquire by onerous title, on one or several occasions, fully paid-out shares in the Company, so that the nominal value of the shares directly or indirectly acquired, when added to those that the Company and its shareholders already hold never exceeds 10% of the subscribed capital, or any other that were to be legally established for the same. The price or value of the consideration cannot be less than the nominal value of the shares nor exceed its price or value on the Stock Exchange. The Board are hereby authorised to delegate the current authorisation to the person(s) whom they deem fit. The current authorisation extends to the acquiring of shares in the Company for the named companies.*

*For the purposes of Article 146 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital), the shares acquired under the current authorisation, as well as those that the Company and its subsidiaries already hold, may be delivered, either in full or part, directly or as a result of the exercising of option rights, to employees or administrators of the Company or companies in its Group.*

*This authorisation replaces and renders null and void, to the extent of the unused portion, the authorisation granted by the Board of Directors by the General Meeting of Shareholders held on 14 May 2015 to acquire by onerous title shares in the Company.*

2.- The General Shareholders' Meeting of 15 March 2022 , under item fourteen of the Agenda, authorised the Board of Directors to resolve to increase the share capital within a period not exceeding 5 years, under the following conditions:

"To delegate to the Board of Directors, as broadly as is legally necessary, the power to increase the share capital of the Company, in accordance with the provisions of article 297.1. b) of the Capital Companies Act, within the legal period of five years from the date of this General Meeting, up to the maximum amount corresponding to 50% of the Company's share capital at the time of this authorisation, with the power to carry out the increase on one or more occasions, in such amount as it may decide, by issuing new voting or non-voting shares, ordinary or preference, including redeemable shares, or any other type of shares permitted by law, with or without a share premium, the consideration for such shares consisting of cash contributions; and may establish the terms and conditions of the capital increase, inter alia, determine the par value of the shares to be issued, the issue premium, their characteristics and any privileges conferred on them, the attribution of the right of redemption and the conditions thereof, as well as the exercise thereof by the Company.

Any capital increases resolved by the Board of Directors under this delegation of powers shall be carried out through the issue and flotation of new ordinary, preference or redeemable shares, voting or non-voting, or any other type, with a fixed or variable premium, or without premium, the consideration for which shall consist of cash contributions.

The Board of Directors may establish, in all matters not provided for in this delegation resolution, the terms and conditions of the capital increases, including, but not limited to, the characteristics of the shares, the type of issue, the investors and markets for which the increases are intended and the placement procedure, as well as freely offer the new shares that are not subscribed for within the preferential subscription period or periods, in the event that this right is not excluded.

The Board of Directors may also provide that, in the event of incomplete subscription, the capital increase shall be without effect or that the share capital shall be increased only by the amount of the subscriptions made, as well as redraft Article 4 of the Articles of Association concerning the share capital and the number of outstanding shares, after each increase has been approved and implemented.

2.- The Board of Directors is also expressly empowered to:

- a. that, in accordance with the provisions of article 506 of the Capital Companies Act, it may exclude, in whole or in part, shareholders' pre-emptive subscription rights when the corporate interest so requires. In this case, the capital may be increased, once or several times, up to a maximum nominal amount equal to 20% of the share capital of the Company at the time of approval of this resolution.
- b. to apply for admission to trading, continued listing and, if appropriate, delisting on organised secondary markets, in Spain or abroad, of the shares that may be issued by virtue of this authorisation, taking the necessary or appropriate steps and actions before the competent bodies of the various national or foreign securities markets for admission to trading, continued listing and/or, if appropriate, delisting.
- c. to delegate or replace the powers contained in this resolution.
- d. to redraft the article of the Articles of Association relating to share capital once the increase has been agreed and implemented.

3.- This delegation implies the express revocation, insofar as it has not been used prior to the adoption of this resolution, of the delegation conferred on the Board of Directors, by virtue of the resolution adopted by the Ordinary General Shareholders' Meeting held on 20 April 2017, with an analogous nature to that included in this item on the Agenda".

**A.11 Estimated floating capital:**

	%
<b>Estimated floating capital</b>	13,00%

**Observaciones**

**A.12 Indicate whether there is any restriction (statutory, legislative or of any other nature) on the transferability of securities and/or any restrictions on the voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorisation or prior notification systems that apply to acquisitions or transfers of financial instruments of the company through sectoral regulations, will be reported.**

Yes  No

**Description of the restrictions**

As a Company that incorporates certain regulated and quasi-regulated assets and activities into its Group, the acquisition of NATURGY ENERGY GROUP S.A. shares may be subject to the provisions laid down in Additional Provision 9 of Law 4/2013, of 4 June, governing the National Commission on Markets and Competition.

Given its nature as a major operator in the gas and electricity markets, the holding of its shares is subject to the restrictions laid down in article 34 of Decree-Law 6/2000, governing Urgent Measures to intensify competition in the goods and services markets.

Additionally, there are certain restrictions on foreign investments - including intra-community investors - that affect NATURGY ENERGY GROUP S.A., both as a listed company and as operating in a sector subject to foreign investment control. These restrictions are regulated in Article 7 bis of Law 19/2003, of July 4, on the legal regime of capital movements and economic transactions with abroad, the Sole Transitory Provision of Royal Decree-Law 34/2020, of November 17, on urgent measures to support business solvency and the energy sector, and in tax matters, and Royal Decree 571/2023, of July 4, on foreign investments..

**A.13 Indicate whether the General Meeting of Shareholders has agreed to take up measures of neutralisation against a takeover bid by virtue of the provisions laid down in Law 6/2007.**

Yes  No

**If appropriate, indicate the different types of shares and, for each type of share, the rights and obligations conferred.**

**Explain the measures approved and the terms under which inefficiency will occur.**

**A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.**

Yes  No

**If appropriate, indicate the different types of shares and, for each type of share, the rights and obligations conferred.**

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## B. GENERAL MEETING OF SHAREHOLDERS

**B.1 Indicate and, where applicable, give details of whether the quorum required for constitution of the General Meeting of Shareholders differs from the system of minimum quorums established in the Corporate Enterprises Act (“LSC” in Spanish).**

Yes  No

	<b>% quorum different to that laid down in Article 193 LSC for general cases</b>	<b>% quorum different to that laid down in Article 194 LSC for special cases</b>
Quorum required for the first call to meeting		
Quorum required for the second call to meeting		
Description of the differences		

**B.2 Indicate and, as applicable, describe any differences between the company’s system of adopting corporate agreements and the framework established in the Corporate Enterprises Act (“LSC” in Spanish):**

Yes  No

**Describe how the system differs from that of the LSC.**

	<b>Reinforced majority other than that laid down by Article 201.2 LSC for the cases of 194.1 LSC</b>	<b>Other cases of reinforced majorities</b>
<b>% laid down by the institution for the adoption of agreements</b>		
<b>Describe the differences</b>		

**B.3 Indicate the rules governing amendments to the company’s Articles of Association. In particular, indicate the majorities required to amend the Articles of Association and, if applicable, the rules for protecting shareholders’ rights when changing the Articles of Association.**

The amendment of the Articles of Association is regulated in article 6.2 of the Articles of Association and in article 12 of the Regulations on the General Meeting of Shareholders, which is supplemented with the corresponding provisions of the Corporate Enterprises Act.

The shareholders constituted in a duly convened General Meeting of Shareholders, shall generally decide by simple majority vote (except in cases where a higher majority is required by law or in the Articles of Association) on the matters which fall to the terms of reference of the Meeting. In such case an agreement shall be deemed adopted when it obtains more votes in favour than against of the share capital either present or represented.

All shareholders, including dissidents and those that have not taken part in the meeting, are subject to the resolutions of the General Meeting of Shareholders.

In order for the ordinary or extraordinary General Meeting of Shareholders to validly agree the issue of bonds convertible into shares or bonds that give bondholders a share in company profits, the increase or reduction of share capital, the removal or limitation of the preferential subscription right for new shares or convertible bonds, as well as the transformation, merger, spin-off or global assignment of assets and liabilities, the transfer of the company's registered office abroad and, in general, any modification to the Articles of Association, will require, at the first call to meeting, the attendance of shareholders, either present or represented, that hold at least fifty percent (50%) of the subscribed share capital with voting rights. In the second call to meeting, it will be sufficient for twenty-five (25%) of the share capital to be present.

Agreements that require specific or special majorities by mandatory legal provision remain safe.

The modification of the Articles of Association must be agreed by the General Meeting of Shareholders and requires the concurrence of the following requisites:

- 1) 1) The Board of Directors or, where appropriate, the shareholders that make the proposal, must compile a written report with justification for the amendment.
- 2) The call to meeting must clearly express the proposed points of change, as well as the right all shareholders have to examine, at the registered office, the full text of the proposed modification and a report on this. They also have the right to ask for handover or free-of-charge sending of said documents.
- 3) The agreement must be adopted by the General Meeting of Shareholders in accordance with the provisions set out in these Articles of Association.
- 4) Under the circumstances, the agreement must be set out in a public deed, which will be registered with the Mercantile Registry and published in the Official Bulletin of the Mercantile Registry.

**B.4 Indicate the attendance data of the General Meetings held during the financial year to which this report refers and that of the previous financial year:**

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

Date of General Meeting of Shareholders	Attendance data				Total
	% physical presence	% represented	% represented	% remote voting Electronic	
9/3/2021	71,38%	11,02%	0%	0%	82,40%
Of which free float 2021		11,02%	0%	0%	11,02%
15/3/2022	81,85%	8,49%	0%	0%	90,34%
Of which free float 2022	0,09%	4,36 %	0%	0%	4,46%
28/3/2023	87,70%	4,10%	0%	0%	91,85%
Of which free float 2023	0,10%	4,13%	0%	0%	4,23%

**B.5 Indicate whether at the General meetings held during the year there has been any item on the agenda that, for whatever reason, has not been approved by the shareholders.**

Yes  No

**Agenda items that have not been approved**

**% of votes against (\*)**

(\*)If the non-approval of the item is for a reason other than a vote against, this will be explained in the part of the text and "n/a" will be placed in the "% of votes against" column".

**B.6 Indicate whether or not there is a statutory restriction to the minimum number of shares required to attend the General Meeting of Shareholders.**

Yes  No

**Number of shares required to attend the General Meeting of Shareholders**

**Number of shares required to vote remotely**

**Observations**

**B.7 Indicate whether it has been established that certain decisions, other than those established by Law, which involve the acquisition, disposal, the contribution to another company of essential assets or other similar operations must be submitted to approval of the general meeting of shareholders.**

Yes  No

**Explanation of the decisions that must be submitted to the board other than those established by law**

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**B.8 Indicate the URL of the company and the means of access to corporate governance content and other information concerning the general meetings and which must be made available to shareholders through the company's website.**

With regard to the Corporate Governance section, the path is as follows:<https://www.naturgy.com/accionistas-e-inversores/gobierno-corporativo>

With the following itinerary [www.naturgy.com](https://www.naturgy.com) → Shareholders and Investors → Corporate Governance.

With regard to the General Meeting of Shareholders section, the itinerary is as follows:

<https://www.naturgy.com/>

[accionistas-e-inversores/gobierno-corporativo/junta-general-de-accionistas-2023](https://www.naturgy.com/accionistas-e-inversores/gobierno-corporativo/junta-general-de-accionistas-2023), with the following itinerary [www.naturgy.com](https://www.naturgy.com) → Shareholders and Investors → General Meeting of Shareholders 2023.

## C. STRUCTURE OF THE COMPANY'S MANAGEMENT

### C.1 Board of Directors

#### C.1.1 Maximum and minimum number of directors stipulated in the Articles of Association and the number set by the General Meeting of Shareholders:

Maximum number of directors	15
Minimum number of directors	11
Number of directors set by the General Meeting of Shareholders	12
Observations	

#### C.1.2 Complete the following table with Board members' details.

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

<b>Name or company name of Director</b>	<b>Representative</b>	<b>Type of director</b>	<b>Position on the board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Election procedure</b>	<b>Date of birth</b>
Mr.. Francisco Reynes Massanet		Executive	Chairman	6/02/2018	28/03/2023	Agreement General Meeting of Shareholders	08-04-1963
Mr. Ramón Adell Ramón		Proprietary	Director	10/02/2022	15/03/2022	Agreement General Meeting of Shareholders	09-01-1958
Mrs Isabel Estapé Tous		Proprietary	Director	16-03-2020	26-05-2020	Acuerdo Junta General de Accionistas	05-04-1957
Mr. Enrique Alcantara-García Irazoqui		Proprietary	Director	13-05-2021	15/03/2022	Agreement General Meeting of Shareholders	21-10-1944
Mr.Jaime Siles Fernández Palacios		Proprietary	Director	10/02/2022	15/03/2022	Agreement General Meeting of Shareholders	26-05-1986
Mrs. Helena Herrero Starkie		Independent	Director	04/05/2016	26/05/2020	Agreement General Meeting of Shareholders	13-06-1959
Mr. Rajaram Rao		Proprietary	Director	21/09/2016	26/05/2020	Agreement General Meeting of Shareholders	03-04-1971
RIOJA, S.à.r.l	Mr. Javier de Jaime Guijarro	Proprietary	Director	01/08/2019	26/05/2020	Agreement General Meeting of Shareholders	26-11-1964
Mr. Claudi Santiago Ponsa		Independent	Director	27/06/ 2018	28/03/2023	Agreement General Meeting of Shareholders	20-09-1956
Mr. Pedro Sáinz De Baranda		Independent	Director	27/06/ 2018	28/03/2023	Agreement General Meeting of Shareholders	23-03-1963
Mrs. Lucy Chadwick		Proprietary	Director	16-03-2020	26-05-2020	Acuerdo Junta General de Accionistas	11-02-1967
Mr. José Antonio Torre de Silva López de Letona		Proprietary	Director	18/05/2018	28/03/2023	Agreement General Meeting of Shareholders	23-10-1971
<b>Total number of directors</b>							<b>12</b>

Indicate the removals from office due to resignation, dismissal or for any other reason that have occurred on the Board of Directors during the reporting period:

Name or company name of Director	Category of director at time of vacancy	Date of last appointment	Date of vacancy	Specialist committees of which he or she was a member	Indicate whether the removal from office occurred before the end of the mandate
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Reason for the dismissal, when it has occurred before the end of the term of office and other observations; information on whether the director has sent a letter to the other members of the board and, in the case of dismissals of non-executive directors, an explanation or opinion of the director who has been dismissed by the AGM

**C.1.3 Complete the following tables on board members and their respective categories:**

**EXECUTIVE DIRECTORS**

Name or company name of Director	Position in the company's management structure	Profile
Mr. Francisco Reynes Massanet	Executive Chairman	Engineering and international business profile: Industrial Engineer, specialising in mechanics, with a degree from the Polytechnic University of Barcelona, and an MBA from IESE; he has also completed Senior Management programmes in the United States and Germany.
<b>Total number of executive directors</b>		1
<b>% of the entire board</b>		8,33%

**OBSERVATIONS**

**EXTERNAL PROPRIETARY DIRECTORS**

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

<b>Name or company name of Director</b>	<b>Name or title of significant shareholder represented by the director or that has proposed the director's appointment</b>	<b>Profile</b>
Mrs. Isabel Estapé Tous	CRITERIA CAIXA S.A.U	Economic, legal and business profile: Graduate in Economics and Business Studies. Notary Public. Director of Criteria Caixa and Patron of la Caixa. She is also a full member of the Royal Academy of Economic and Financial Sciences.
Mr. Enrique Alcántara-García Irazoqui	CRITERIA CAIXA S.A.U	Economics and business profile: Degree in Business Administration and Management and Master's degree in Business Administration and management from ESADE.
Mr. Ramón Adell Ramón	CRITERIA CAIXA S.A.U	Expert profile in the financial and accounting area: Doctor in Economic and Business Sciences. Lawyer. Professor of Financial Economics and Accounting. He is a corresponding member of the Royal Academy of Economic and Financial Sciences of Spain and Honorary Member of the European Higher Council of Doctors and Honorary Doctors.
Mr. Rajaram Rao	GIP III Canary 1 S.à r.l.	IT, economics and international business profile: Qualified Electronic and Telecommunications Engineer. He also holds an MBA from the University of Delhi and a Master's degree in Finance from the London Business School.
Mrs. Lucy Chadwick	GIP III Canary 1 S.à r.l.	IT, economics and International profile: She is a member of GIP's senior management and Global Head of ESG. Formerly Director General at UK Department for Transport, and executive in Accenture
Rioja S.à.r.l. (D. Javier de Jaime Guijarro)	Rioja Adcquisitions Sarl, S.L.U	Economics, international and business profile: Graduate in law from the Comillas University (ICADE) and MB from Houston University.
THEATRE DIRECTORSHIP SERVICES BETA, S.à.r.l. (D. José Antonio Torre de Silva López de Letona)	Rioja Acquisitions S.à.r.l.	Economics, international and business profile: Degree in industrial Engineering from the Higher Technical School of the Comillas Pontifical University (ICAI) and MBA from the University of Navarre (IESE).
Mr. Jaime Siles Fernández Palacios	Global InfraCo O (2) S.à. r.l.	Economic and business profile. Civil Engineer from the Polytechnic University of Valencia and Executive MBA from the Collège des Ingénieurs de Paris.
<b>Total number of proprietary directors</b>		<b>8</b>
<b>% of the entire board</b>		<b>67 %</b>



## OBSERVATIONS

They represent shareholders representing 82.5% of the share capital.

## EXTERNAL INDEPENDENT DIRECTORS

Name or company name of Director	Profile
Mr. Claudi Santiago Ponsa	IT and international business profile; energy sector: Degree in Computer Engineering from the Autonomous University of Barcelona (UAB) and International executive programme (INSEAD) through the Executive International Business at Georgetown University.
Mr. Pedro Sáinz de Baranda Riva	Engineering and international business profile; capitals market: Mining Engineer from the University of Oviedo, PhD in Engineering, Rutgers University of New Jersey and an MBA from the Sloan School of Management of Massachusetts Institute of Technology (MIT).
Mrs. Helena Herrero Starkie	IT, and R&D&i and international business profile: Degree in Chemical Sciences. She is the Chairperson and CEO of Hewlett Packard (HP) for Spain and Portugal.
<b>Total number of independent directors</b>	3
<b>% total of the board</b>	25

## OBSERVATIONS

The percentage of share capital that is not represented by proprietary directors is 17.1%.

Indicate whether or not any director qualified as independent receives from the company, or from its group, any amount or benefit for an item other than remuneration as director, or holds or has held, over the last year, a business relationship with the company or any other group company, whether in their own name or as a significant shareholder, director or senior executive of an entity that maintains or has maintained any such relationship.

Where appropriate, include a reasoned statement from the board on the grounds why it believes this director may perform his/her duties as an Independent Director.

Name or company name of Director	Description of the relationships	Reason statement

#### OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or company name of Director	Reasons	Company, executive or shareholder with whom the relationship is maintained	Profile
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Total number of external directors

% total of the board

#### OBSERVATIONS

List any changes in the category of each director which have occurred during the year:

Name or company name of Director	Date of change	Former category	Current category
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#### OBSERVATIONS

C.1.4 Complete the following table with information regarding the number of female directors at the close of the last four financial years, and their category:

	Number of female directors				% of total directors of each type			
	Financial year Q	Financial year Q-1	Financial year Q-2	Financial year Q-3	Financial year Q	Financial year Q-1	Financial year	Ejercicio t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	2	2	2	2	25 %	25 %	33,33%	33,33%
Independent	1	1	1	1	33 %	33 %	20%	20%
Other external	0	0	0	0	0	0	0	0
<b>Total:</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>

#### OBSERVATIONS

**C.1.5 Indicate whether the company has diversity policies in relation to the Board of Directors of the company with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized enterprises, in accordance with the definition contained in the Accounts Auditing Law, will at least have to report the policy they have established in relation to gender diversity.**

**Yes**  **No**  **Partial policies**

**If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors.**

**If the company does not apply a diversity policy, explain the reasons why**

**Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained**

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Naturgy's director selection policy includes guidelines aimed at selecting candidates whose appointment favours professional, knowledge and gender diversity within the Board of Directors. In any case, this policy is applied with full respect for the shareholders' legally recognised right to proportional representation.

Specifically, said policy establishes that the Appointments, Remuneration and Corporate Governance Committee shall ensure that the selection procedures do not suffer from implicit biases that could imply any discrimination, and that no candidate may be excluded on the grounds of ideology, religion or beliefs, membership of an ethnic group, race or nation, gender, sexual orientation, family situation, illness or disability, and shall deliberately seek and include among the potential candidates women who meet the professional profile sought, endeavouring to ensure that, as vacancies occur on the Board or as the terms of office of the Directors expire, the number of female Directors represents at least 30% of the total number of members of the Board of Directors.

During exercise 2023, one vacancy has arisen in the category of executive director, two vacancies corresponding to the category of independent director, and another vacancy corresponding to the category of shareholder representative director from CVC. The re-election of the candidate to cover the position of Executive Director has been carried out at the proposal of the Board of Directors, who took into consideration the candidate's performance during the last four years, commercial and professional integrity, adequate knowledge and experience to exercise the functions of Director, and willingness to exercise good governance of the Company, highlighting the capacity and professional trajectory of the Director. The vacancy corresponding to shareholder representative director has been filled at the proposal of each of the significant shareholders who have exercised their right to proportional representation, which means that the Company has not had the capacity to appoint candidates to fill these vacancies. As for the vacancies corresponding to independent directors, the Appointment, Remuneration and Corporate Governance Committee, taking into consideration the selection policy for directors and the competency matrix, deemed it most appropriate to renew both independent directors, for the reasons stated in the proposal submitted to the General Meeting of Shareholders of Naturgy Energy Group, S.A. and its dependent companies.

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**C.1.6 Explain the measures which, where appropriate, have been agreed by the Appointments Committee so that the selection procedures are unaffected by any implicit bias that hampers the selection of female directors, and which shows that the company purposefully seeks and includes women that satisfy the professional profile sought among the potential candidates and to achieve a balanced presence of women and men. Also indicate whether these measures include encouraging the company to have a significant number of senior managers:**

### **Explication of the measures**

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The Appointment, Remuneration and Corporate Governance Committee is entrusted with the task of reviewing the skills required of the candidates to fill each vacancy, compliance with the requirements for each category of director and the process of incorporation of new members, submitting the appropriate reports or proposals to the Board when appropriate. When filling new vacancies, care is taken to ensure that the selection process is not implicitly biased in such a way as to hinder the proposal of female directors, with special consideration being given, under the same conditions among potential candidates, to women who meet the profile sought.

The Selection Policy for Board Members, whose latest modification was approved by the Board of Directors in February 2022, incorporates a competency matrix that reflects the Company's needs regarding the competencies, knowledge, and experience required on the Board, and establishes that said matrix must be used in the selection processes for Board Members.

Additionally, said policy contemplates the implementation by the Company of measures to encourage the appointment of a significant number of senior managers. These measures are aimed at enhancing the professional role of women in Naturgy, their visibility and networking, moving towards gender parity at different levels of the company through specific training actions, career development programmes and promoting diverse leadership, as well as prioritising this group in internal mobility plans, organisational evolutions and succession plans. The company is also committed to generational balance through recruitment and development programmes for young professionals and intergenerational talent development programmes.

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**When, despite the measures adopted, the number of female directors is zero or few, explain the reasons for this:**

### **Explanation of the reasons**

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Due to the composition of the company's social capital, in which more than 82% belongs to significant shareholders with the right to appoint representatives on the Board of Directors, the coverage of any vacancy must respect the proportional representation right recognized by the capital companies law. This means that the Appointment, Remuneration, and Corporate Governance Committee can only fully exercise its proposal powers in relation to independent directors. In this sense, it should be noted that the number of independent directors is 3, and the percentage of independent female directors represents 33.3% of this group. In the process of covering vacancies for independent directors carried out in 2023, the Appointment, Remuneration, and Corporate Governance Committee, in addition to the percentage of women with a presence on the Board, particularly took into account the exceptional energy scenario that advised the renewal of the current independent directors, ruling out the appointment of new candidates who would necessarily require a period of training and adaptation to a complex sector and a changing moment.

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#### **C.1.7 Explain the Appointments Committee's on the verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.**

The Appointments, Remuneration and Corporate Governance Committee has verified that the Director Selection Policy has been complied with as regards the filling of vacancies on the Board, all within the framework of the Company's shareholding structure, which imposes respect for certain legal requirements of proportional representation of shareholders. The recommendations on good corporate governance must comply with this mandatory requirement. The Committee has found that the selection processes for directors have taken into consideration the balance of criteria such as: i) knowledge, ii) skills, iii) diversity and iv) experience.

#### **C.1.8 Where applicable, explain why proprietary directors have been appointed at the request of shareholders whose shareholding in the capital is less than 3%:**

Name or company name of shareholder	Explanation
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Indicate whether or not formal requests have been accepted for presence on the board from shareholders whose holding is equal to or higher than that of others for whom proprietary directors have been appointed. If so, explain why these requests have not been answered:

Yes  No

Name or company name of shareholder	Explanation
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**C.1. 9** Indicate, in the event that they exist, the powers and faculties delegated by the Board of Directors to directors or to board committees:

Name or company name of the director or committee	Brief outline
Mr. Francisco Reynes Massanet	He has delegated extensive powers of representation and administration in accordance with the nature and requirements of the position of Executive Chairman.

**C.1.10** List the Members of the Board of Directors, if any, who hold office as Administrators or representatives of Administrators or Directors in other companies belonging to the listed company's group:

Name or company name of Director	Company name of group entity	Position	Do they have executive duties?

**C.1.11.** Identify, where applicable, the directors or representatives of legal persons of your company, who are members of the Board of Directors or director representatives, legal persons of other companies listed on regulated stock exchanges in Spain other than those of your group, that have been reported by the company:

Name or company name of Director	Corporate name of the listed company	Position
Mr. Francisco Reynés Massanet	VEOLIA	Consejero
	ABREYGI, S.L.	Administrator
Mr. Ramón Adell Ramón	Oryzon Genomics, S.A.	Director
	Allianz, Cía. de Seguros y Reaseguros, S.A	Director
	Fénix Directo, Cía. de Seguros y Reaseguros, S.A	Director

**Naturgy Energy Group, S.A. and subsidiaries  
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Mr. Pedro Sáinz de Baranda Riva	Gestamp Automoción, S.A.	Director
	TK Elevator GmbH	Director
	Sainberg, S.L.	Director
	Internacional Olivarera, S.A.	Chairman
	Scalpers Fashion, S.L.	Director
	Acerinox S.A	Consejero
	Pedro Duro S.L.	Administrator
	Inversores de Tornón	Administrator
	Fundación Princesa de Asturias	Patron
	Universidad Antonio de Nebrija	Patron
	Universidad Carlos III de Madrid	Member of the social council
Mrs Lucy Chadwick	Nuovo Transport Viaggiatori (NTV) Italo Sp	Director
	Gatwick Airport Limited	Director
	Associated 'Ivy Group of Companies'	Director
Mr. Enrique Alcantara Garcia Irazoqui	Bufete Alcántara, S.L.P.	Administrator
Mrs. Isabel Estapé Tous	Criteria Caixa, S.A.U	Director
	CriteriaCaixa S.A.U.	Consejera
	Fundación "la Caixa"	Patron
	Triana 88 SL	Joint administrator
Mrs. Helena Herrero Starkie	HP Printing and Computing Solutions, S.L.U.	Chairwoman and CEO
	Mutua Madrileña	Director
Mr. Rajaram Rao	Global Infrastructure Partners	Chairman and COO
	Mata Biles Ltd	Director
	VENA ENERGY	Chairman
Mr. JAVIER DE JAIME GUIJARRO: Representante del Consejero Dominical Rioja S.à.r.l.	CVC Capital Partners, S.L.	Managing partner and board member
	CVC Advisers Company (Luxembourg) S.à.r.l.	Director
	CVC Investment Advisory Services S.L.	Director
	Baranoa Directorship, S.L.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Vitalia Plus, S.A.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	Vivaly Inversiones Globales, S.L.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	Universidad Privada de Madrid, S.A. / En representación de Theatre Directorship Services Alpha S.à r.l.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.

	Guadarrama Proyectos Educativos, S.L.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	LaLiga Group International, S.L.	Representative of the Director Theatre Directorship Service Alpha, S.à.r.l.
	Compañía de Gestion e Inversión Jade, S.L.	Administrator
	Jade Agroalimentación S.L.	Administrator
	Fundación CVC España	Patron
	Fundación Humana Spes	Patron
	Fundación CYD	Representative of UAX
	FINAVES, IESE Business School (Barcelona)	Director
Mr. Claudi Santiago Ponsa		
Mr. JOSÉ ANTONIO TORRE DE SILVA LÓPEZ DE LETONA.	CVC Investment Advisory Services S.L	Director
	Tendam Retail, S.A.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Tendam Brands S.A.	Representante del Consejero Theatre Directorship Service Beta, S.à.r.l.
	Tendam Fashion S.L.	Representative of the Director Theatre Directorship Service Beta, S.à.r.l.
	Compañía Logística de Hidrocarburos CLH, S.A.	Representante del Consejero Theatre Directorship Service Beta, S.à.r.l.
	Sigurd Europe S.L.	Administrator
	Porterdale S.L.	Chairman
	Colegio Alegra S.L.	Chairman
Mr. Jaime Siles Fernández Palacios	IFM INVESTORS (UK) LTD	Executive Director
	Global Infraco SP Neum S.L.U.	Joint Administrators
	Kestros Mersin Services S.L.U.	Joint Administrators
	Meander Mersin Services S.L.U.	Joint Administrators
	Sarus Mersin Services S.L.U.	Joint Administrators

**List any other remunerated activities of directors or directors' representatives, whatever their nature, other than those indicated in the above table.**

<b>Identification of the director or representative</b>	<b>Other gainful activities paid activities</b>
Pedro Sainz de Baranda Riva	Consejo Asesor, Banco de Sabadell S.A.
Ramón Adell Ramón	Professional activity as a lawyer
José Antonio Torre de Silva López de Letona	CVC Investment Advisory Services S.L employee
Lucy Chadwick	Partner Global Infrastructure Management LLP
Rajaram Rao	Partner Global Infrastructure Management LLP
Isabel Estapé Tous	Professional activity as a Notary
Claudi Santiago Ponsa	Consulting activity

**Observations**

**C.1.12** Indicate and, where appropriate, explain whether the company has established rules about the maximum number of company Boards on which its directors may sit, identifying how this is regulated where appropriate:

Yes  No

**Explanation of the rules and identification of the document where it is regulated**

**C.1.13** Indicate the amounts of the following items relating to the overall remuneration of the Board of Directors:

<b>Overall remuneration earned by the Board of Directors during the year (thousands of euros)</b>	8.106
<b>Cumulative amount of rights of current directors in pension scheme (thousands of euros)</b>	16.556 (*)
<b>Cumulative amount of rights of former directors in pension scheme (thousands of euros)</b>	0

**OBSERVATIONS**

(\*) It includes the amount corresponding to the variable remuneration 2018, 2019, 2020, 2021, 2022 and 2023 that are settled as a contribution to the Executive Chairman's Social Security Plan as it is beneficiary.

**C.1.14** Identify members of senior management who are not also executive directors, and indicate the total remuneration they earned during the year:



<b>Name or company name</b>	<b>Position/s</b>
Carlos Francisco Vecino Montalvo	Marketing Manager
Pedro Larrea Paguaga	Manager Energy Management and Networks
Jorge Barredo Lopez	Manager Renewables, Innovation and New Business
Enrique Tapia Lopez	People and Organisation Manager
Rafael Blesa Martinez	Information Systems Manager
Manuel García Cobaleda	General and Board Secretary
Jordi García Tabernero	Sustainability, Reputation and Institutional Relations Manager
Steven Fernández	Financial Market Manager
Jon Ganuza Fernandez De Arroyabe	Energy Procurement and Wholesale Markets Manager
Eva Fernández Roselló	Internal Audit Manager
<b>Number of women in senior management</b>	<b>1</b>
<b>Percentage over total members of senior management</b>	<b>10%</b>
<b>Total remuneration of senior management (in thousands of euros)</b>	<b>8.895</b>

#### **OBSERVATIONS**

Managers reporting directly to the Executive Director and the Internal Audit Manager have been listed.

**C.1.15 Indicate whether or not there has been any modification to the regulations of the board during the year:**

**Yes**  **No**

**Description of modifications**

**C.1.16 Indicate the procedures for appointing, re-electing, evaluating and removing directors. Provide details of the competent bodies, the procedures to be followed and the criteria applicable in each procedure.**

The procedures for the appointment, re-election, evaluation and removal of directors are regulated in Article 7 of the Articles of Association and in Articles 9 and 10 of the Regulations for the Organisation and Functioning of the Board of Directors and its Committees, supplemented by the provisions of Article 529 decies of the Spanish Corporate Enterprises Act ("LSC" in Spanish).

1.- Appointment and re-election:

The General Meeting of Shareholders is competent for appointing directors and establishing the number thereof, subject to the limits stipulated in Article 7 of the Articles of Association.

If vacancies were to arise during the term for which the Directors were appointed, the Board shall be entitled to designate, using the co-option system, the persons to occupy these vacancies until the first General Meeting of Shareholders is held.

The status of Shareholder is not required to be appointed Director.

Anyone who is in any of the situations that, pursuant to prevailing legislation, prevents such characterisation, cannot be proposed, appointed or qualified as Independent Directors.

It will be necessary to appoint persons who not only satisfy legal provisions and those laid down in the Articles of Association for the position, but who have a prestigious position and are equipped with the professional skills and expertise required to perform their duties.

Directors are appointed and re-elected in accordance with a formal and transparent procedure and the proposals which the Board of Directors submits to the General Meeting of Shareholders, as well as appointments adopted by the Board by virtue of its powers of co-option, must be made subject to a proposal from the Appointments and Remuneration Committee in the case of Independent Directors, or a report for the remaining Directors. When the Board does not follow the recommendations of said committee, it will have to explain the reasons and record the said reasons in the Minutes.

In addition, the Board of Directors, on the proposal of the Appointments and Remuneration Committee and in line with the recommendations of the Guide of the CNMV on Appointment and Remuneration Committees, approved in their meeting in October 2019 a Competency Matrix, for which assistance was provided by an Independent Expert. The Policy for selecting Directors was modified on February 2022 to include the need for preparing and taking into consideration this Competency Matrix in all processes for selecting Directors.

2.- Re-election:

Directors elected as of 27 June 2018, will hold office for a maximum term of four (4) years, and may be re-elected (those elected up to that date had a term of three (3) years).

The Independent Directors shall not remain in their post for a period of more than twelve (12) years.

3.- Replacement or removal:

Directors shall be replaced in their position for the length of the term for which they were appointed, unless they are re-elected, and when so determined by the General Meeting of Shareholders by virtue of the powers granted thereto. Likewise, directors shall be replaced in all other circumstances where applicable pursuant to the Law, the Articles of Association and Regulations of the Board of Directors.

Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deemed it appropriate, in the following cases:

- a. When Executive Directors step down from their executive positions.
- b. When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these Regulations.
- c. When they commit a serious breach of their obligations as directors, jeopardising the interests of the Company.

- d. When circumstances arise that may affect the credit or reputation of the Company or, in any other way, put the Company's interests at risk
- e. When the reason why they were appointed as independent, executive or proprietary directors is no longer applicable.

In any case, the Board of Directors pays special attention to issues of diversity and not only gender diversity, within the framework of full respect for the right of shareholders as recognised by the Law on Proportional Representation. For this reason, in 2020, a modification was introduced in the selection policy for board members to incorporate a competency matrix that has been used in all the processes for filling vacancies or re-election of directors since then..

In this regard, the Board of Directors approved on 24 november 2020 a new modification to the Director Selection Policy to expressly include the Company's commitment to gender diversity, providing for the implementation by the Company of measures that encourage the appointment of a significant number of female senior executives.

Subsequently, at its February 2022 meeting, the Board again amended the Directors' Section Policy to expressly provide that in the selection process no candidate may be "excluded on the grounds of ideology, religion or beliefs, membership of an ethnic group, race or nation, gender, sexual orientation, family situation, illness or disability, and shall be deliberately sought and included among potential candidates who meet the professional profile sought.

or nation, gender, sexual orientation, family situation, illness or disability, and a deliberate search for and inclusion among potential candidates of women who meet the professional profile sought, ensuring that, as vacancies arise on the Board or as the terms of office of the members of the Board of Directors expire, "no candidate may be excluded on the grounds of his or her ideology, religion or beliefs, membership of an ethnic group, race or nation, gender, sexual orientation, family situation, illness or disability".

The number of female directors shall represent at least 30% of the total number of members of the Board of Directors".

**C.1.17 Explain, if applicable, to what extent this annual evaluation has prompted significant changes in its internal organisation and the procedures applicable to its activities:**

**Description of modifications**

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The Board evaluation process carried out during the financial year 2023 by an external consultant concludes that the Board of Directors meets the compliance requirements of an orderly, responsible and advanced management body..

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**Describe the evaluation process and the areas evaluated by the Board of Directors, assisted by an outsourced consultant, regarding the operation and composition of its committees, and any other area or aspect that has been subject to evaluation.**

## **Description of the evaluation process and areas evaluated**

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In financial year 2023, an external process of evaluation of the Board of Directors and its Committees was carried out by an external consultant of recognised experience.

Within the framework of this evaluation process, in addition to a personal interview with the consultant, all directors completed a series of questionnaires relating to the functioning of the Board and its Committees, in which they were asked to give their assessment on questions relating to the structure of the Board and its functioning, its work in the supervision of aspects such as Internal Audit, Compliance, risks, or the monitoring of the Company's Strategic Plan.

The process of evaluation and analysis of the functioning and effectiveness of the Board was structured around those areas considered key by the external consultant, mainly those related to the structure and composition of the Board, the functioning of the Committees, the evaluation of the performance of the Chairmen of the Board of Directors, the Chairmen of each of the Committees, the Coordinating Independent Director and the Secretary of the Board.

The evaluation of each of the matters identified was addressed through a series of critical questions in the questionnaires sent and in the individual interviews.

After receiving the evaluation report, the Nomination, Remuneration and Corporate Governance Committee, at a meeting of the Appointments, Remuneration and Corporate Governance Committee, decided that the Board of Directors should be informed of the results of the evaluation.

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**C.1.18 Explain, for any of the years in which the evaluation has been assisted by an external advisor, the business relationship the adviser or any group company maintains with the company or any group company.**

NONE

**C.1.19 Indicate the cases in which directors must resign.**

Directors shall be replaced in their position for the length of the term for which they were appointed, unless they are re-elected, and when so determined by the General Meeting of Shareholders by virtue of the powers granted thereto. Likewise, directors shall be replaced in all other circumstances where applicable pursuant to the Law, the Articles of Association and Regulations of the Board of Directors.

Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deems it appropriate, in the following cases:

- a. When Executive Directors step down from their executive positions.
- b. When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these Regulations.
- c. When they commit a serious breach of their obligations as directors, jeopardising the interests of the Company
- d. When circumstances arise that may affect the credit or reputation of the Company or in any other way jeopardise the interests of the Company.

- e. When the reason why they were appointed as Independent, Executive or Proprietary Directors is no longer applicable.

**C.1.20 Are qualified majorities other than those prescribed by law required for any type of decision?**

**Yes**  **No**

**Where appropriate, describe the differences.**

**Description of the differences**

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Article 7.4 of the Regulations of the Board of Directors states the following:

“4.- The resolutions must be adopted with the vote of the absolute majority of the directors who attend, whether present or represented, unless the Law, the Articles of Association or these Regulations establish an enhanced majority.

In particular, the favourable vote of more than two thirds of the directors, whether present or represented, will be required for the valid adoption of resolutions on the following matters reserved for the plenary session of the Board and, therefore, non-delegable:

- a) The acquisition or disposal of assets belonging to the Company (regardless of the legal means used for this purpose and, in particular, even if they are carried out through merger, spin-off or other operations of subsidiaries) in excess of Euros 500,000,000, unless its approval corresponds to the General Meeting of Shareholders or is carried out in execution of the budget or strategic or business plan of the Company.
  - b) The approval of the budget and the strategic or business plan of the Company.
  - c) The modification of the dividend distribution policy and the approval of a new one.
  - d) The subscription, modification, renewal, non-renewal or termination by the Company of financing or refinancing agreements for an amount exceeding Euros 500,000,000.
  - e) The subscription, modification, renewal, non-renewal or termination by the Company of any material contract, other than those provided for in section d) above, whose amount exceeds Euros 500,000,000 in the case of gas supply contracts and of Euros 200,000,000 in the case of other contracts.
  - f) The material changes in the accounting and tax criteria and policies of the Company, unless they are due to modifications of applicable legislation or compliance with the guidelines and criteria set by the competent authorities in the matter.
  - g) The reformulation of the Company’s annual accounts, unless such reformulation is due to a modification of applicable legislation or compliance with the guidelines and criteria set by the competent authorities in the matter.
  - h) Capital investments (capex) not provided for in the Company’s annual budget for an amount exceeding Euros 200,000,000 euros.
  - i) The modification of the matters of paragraph a) to i) or modification of the enhanced majority of the vote required for any of them.”
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**C.1.21 Indicate if there are specific requirements other than those relating to directors in order to be appointed as Chairman of the Board of Directors.**

**Yes**  **No**

Description of requirements

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**C.1.22** Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors: Indicate whether the Articles of Association or the Board Regulations establish any age limit for Directors:

Yes  No

Age limit

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Chairman

Chief Executive Officer

Director

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Observations

**C.1.23** Indicate whether the Articles of Association of the Board regulations set a limited term, or other requirements stricter than those legally determined, or office for independent directors different to the one established in the regulations:

Yes  No

Additional requirements and/or maximum number of years of in office

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**C.1.24** Indicate whether the Articles of Association or Board Regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a Director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. Where appropriate, give a brief description of these rules.

Article 7.5 of the Articles of Association states: "Directors who are unable to attend may delegate their proxy to another director, with or without voting instructions, and must notify the Chairman or the Secretary."

Article 7.3 of the Regulations of the Board states: "Each director may grant a proxy to another director, with no limit on the number of proxies that each may hold for attendance at Board meetings, although they must attend at least 75% of the meetings to which they are called each year. The Board of Directors may waive this obligation in justified cases. Proxies for absent directors may be granted by any written documentary means, any electronic means addressed to the Chairman or Secretary of the Board prior to the start of the meeting being valid".

In addition, at its meeting in October 2019, the Board of Directors agreed to formally urge the Directors, in line with recommendation 27 of the Good Governance Code of Listed Companies, to include instructions on proxy voting. In line with the Code of Good Governance of Listed Companies, they include voting instructions in proxy representations.

**C.1.25** Indicate the number of board meetings held during the year. Also indicate, where applicable, how many times the Board has met without the Chairman being present. When calculating the number, representations made with specific instructions shall be considered as attendance.

Number of board meetings	12
Number of board meetings without the Chairman attending	0

**Observations**

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Indicate the number of meetings held by the Coordinating Director with the rest of the Directors, without the attendance or representation of any Executive Director.

**Number of meetings**

**Observations**

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In addition to informal contacts between the three independent directors, a meeting of independent directors was held in March 2023, convened and chaired by the coordinating director, which was not attended by the executive chairman.

Indicate the number of meetings held by the different board committees over the year:

Number of meetings of the Executive Committee	0
Number of meetings of the Audit and Control Committee	5
Number of meetings of the Appointments and Remuneration Committee	8
Number of meetings of the Appointments Committee	
Number of meetings of the Remuneration Committee	
Number of meetings of the Sustainability Committee	5

**Observations**

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**C.1.26** Indicate the number of board meetings held during the year with all Members in attendance:

Number of meetings attended in person by at least 80% of the Directors	12
% of attendance over the total number of votes during the year	99 %
Number of meetings with attendance in person, or representations made with specific instructions of all the Directors	11
% votes cast with attendance in person and representations made with specific instructions, on total votes during the year	99 %

**Observations**

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**C.1.27** Indicate whether the consolidated and individual annual accounts submitted for authorisation for issue by the Board are certified previously.

Yes  No

Identify, where applicable, the person(s) who has/have certified the company's individual and consolidated annual accounts in order to be drawn up by the Board:

Name	Position
Mr. Gabriel Deseff	Responsible for accounting consolidation and accounting planning

**C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated annual accounts it prepares from being laid before the General Meeting of Shareholders with a qualified audit report.**

By virtue of those established in Article 529.4 of the Corporate Enterprises Act and in the Articles of Association, and of the competences attributed by the Board of Directors, the Audit and Control Committee is responsible for, among others, the functions of informing the General Meeting of Shareholders about the issues that arise in relation to those matters that fall within the remit of the Committee and, in particular, on the result of the audit, explaining how this has contributed to the integrity of the financial reporting and the role that the Committee has played in that process, as well supervising the process of preparation and presentation of mandatory financial reporting and submitting recommendations or proposals to the administrative body, aimed at safeguarding its integrity.

To this end, the Audit and Control Committee has supervised the process of preparing financial information and has engaged in fluid dialogue with the external auditor, with the utmost respect for its independence, where it has been informed of the Audit Plan, of the preliminary and final results of the auditor's analyses, and where its independence has been specifically ensured. In any case, it is noteworthy that in financial year 2022 no accounting qualifications have been made.

**C.1.29 Is the Secretary of the Board also a Director?**

Yes  No

Complete if the secretary is not also a Director:

Name or corporate name of the Secretary	Representative
Mr. Manuel García Cobaleda	

Observations

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**C.1.30 Indicate the specific mechanisms introduced by the Company to preserve the independence of the External Auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.**



Among the legal functions that correspond to the Audit and Control Committee are to establish the appropriate relations with the external auditor to receive information on those issues that may pose a threat to its independence, for examination by the committee, and any others related to the process for conducting the accounts audit and, where appropriate, the authorisation of services other than those prohibited, under the terms set out in Articles 5, paragraph 4, and 6.2.b) of Regulation (EU) No. 537/2014, of 16 April, and as set out in section 3 of chapter IV of title I of Law 22/2015, of 20 July, on Accounts Auditing, on the independence regime, as well as those other communications provided for in the audit legislation of accounts and in the auditing standards. In all cases, on an annual basis, the Audit and Control Committee shall receive from the Auditors written confirmation of their independence vis-à-vis the company or entities related to it directly or indirectly, in addition to detailed and individual information on additional services of any kind rendered to these entities by the aforementioned auditors or person or entities related to them in conformity with the provisions of auditing legislation.

In this respect, the Audit Committee's criterion is that the assignment of non-audit work to the external auditor should be substantially less than the recommended 70%.

In order to comply with the functions established in letters e and f of section 4 of article 529 quaterdecies of the Capital Companies Act, the Audit and Control Committee is responsible for supervising the proposals for contracting services with the Accounts Auditor outside the accounts auditing service, to ensure that these are neither prohibited, nor are they incompatible with their work as auditors, nor do they compromise their independence, all in accordance with the limitations established in current legislation and in particular in article 16 of the Accounts Auditing Act.

The Internal Audit Department is in charge of coordinating with the External Auditor the needs for contracting services other than auditing services that may be required by the Company and their subsequent communication to the Audit and Control Committee in order to obtain its authorisation.

The Company's Internal Audit Manager periodically submits to the Audit and Compliance Committee exhaustive information on the non-audit engagements required by the Company, attaching in each case the auditors' letter of independence and the letter justifying the need for the service signed by the corresponding Director.

The Audit and Compliance Committee reviews the documentation provided in order to ensure the independence of the auditor, verifying that he/she does not fall within any of the grounds for incompatibility set out in the Audit Act, and that the services to be contracted are permitted as they are not related to the auditing of accounts.

In the event of urgency in contracting, if the Audit and Compliance Committee is not scheduled to meet immediately, the Committee has set up an exceptional procedure whereby the Chairman of the Committee receives the report on the services to be contracted, together with the supporting documentation (letter of independence of the external auditor and justification of the service signed by the corresponding director). Once it has been analysed that the services in question are not prohibited and that they do not compromise the independence of the auditors, the Chairman may authorise such engagement, although in all cases, the Chairman must report on the use of this power at the first meeting of the Audit and Compliance Committee held for possible ratification.

It is also the duty of the Audit and Compliance Committee to issue annually, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms is compromised. In order to fulfil this function, the Audit Committee receives annually from the external auditors a declaration of their independence in relation to the entity or entities directly or indirectly related to it, as well as detailed and individualised information on the additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by the persons or entities related to it, in accordance with the provisions of the regulations governing the auditing of accounts.

As regards the mechanisms established to guarantee the independence of financial analysts, investment banks and rating agencies, it should be noted that the Board of Directors approved at its meeting of 24 November 2020 the Policy on Communication with Shareholders, Investors and Voting Advisors. This policy establishes the principles that underpin the Company's relationship with them as those of transparency, truthfulness, completeness and clarity, immediacy and in a timely manner, equal treatment, non-discrimination and symmetry in dissemination, homogeneity and simultaneity. This policy establishes the channels and units responsible for dialogue with the various agents.

Naturgy also has an Internal Code of Conduct on matters relating to the securities markets and treasury stock policy, which establishes in Article 11 that the public dissemination of Inside Information must be made as soon as possible and in such a way as to allow rapid access and a complete, correct and timely evaluation of the information by the public. The content of the communication must be truthful, clear, complete and, where required by the nature of the information, quantified, so as not to be misleading or deceptive.

**C.1.31 Indicate whether the company has changed its external audit firm during the year. If appropriate, identify the incoming and outgoing auditors:**

Yes  No

Outgoing auditor	Incoming auditor

**Observations**

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In the case of disagreements with the outgoing auditor, explain the content of the said disagreements:

Yes  No

**Explanation of the disagreements**

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**C.1.32 Indicate if the audit company performs other tasks for the company and/or its group other than auditing activities and the percentage of the fees billed to the company and/or its group:**

Yes  No

	Company:	Group	Total
Amount of tasks other than auditing activities (in thousands of euros)	345	709	1054
Amount of tasks other than auditing/Amount billed by the audit company (%)	39,3 %	23,0 %	26,6 %

Observations

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**C.1.33** Indicate if the auditor's report on the annual accounts corresponding to the previous year involves reservations or exceptions. Where applicable, indicate the reasons given by the Chairman of the Audit and Control Committee to

Yes  No

Explication of the reasons and direct link to the document made available to shareholders at the time of the call in relation to this matter

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**C.1.34** Indicate the number of consecutive years during which the current audit firm has been auditing accounts of the Company. Also indicate the percentage of the number of years audited by the current audit company over the total number of years that the annual accounts have been audited:

	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	3	3

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	Individual	Consolidated
Number of years audited by the current audit company / Number of years the company has been audited (in %)	9,30%	9,30%

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Observations

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**C.1.35** Indicate, and give details if any, whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes  No

**Details of the procedure**

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Articles 6.2 and 6.3 of the Regulations of the Board of Directors state: “2-Notices convening sessions shall be issued by the Chairman or the Secretary, or by the Deputy Chairman on order of the Chairman, and may be effected by any of the channels set out in the Articles of Association. The notification shall include the place and the agenda of said meeting and shall be issued, at least five (5) days before the meeting is to be held, specifying the agenda of the meeting. In the event of an emergency duly justified by the Chairman and thus appreciated by the Board at the start of the meeting, a call to meeting will be made by telephone, fax, email or any other telematic means, with sufficient notice to allow the directors to participate in the meeting. Prior to each meeting the directors shall be furnished with the information and documentation considered to be pertinent or relevant regarding the subjects to be addressed in the Board Meeting. Directors shall also be furnished with the Minutes of the previous meeting, regardless of whether said minutes have been approved or not. The Chairman shall be authorised to establish the order of the day, except in the event of the compulsory convening in which case the agenda of the convened meeting will include the issues indicated by the Directors who request it. 3.- The Board Meeting shall have a quorum, without being previously convoked, if all the directors are present or represented and unanimously accept that the board meeting be held”.

The procedure followed involves sending, usually a week in advance, the call to meeting, the agenda and any information that is available and may be useful for more accurate knowledge of the matters to be discussed in the Board Meeting. The rest of the documentation is sent as it becomes available - normally 5 days in advance, except for those that, for example, for reasons of urgency do not allow such advance notice. The presentations clearly identify which issues are for information only and which are for decision.

To this end, the Board’s documentation is made available to the directors through a electronic platform, which allows them permanent access to it. The Directors have access to the documentation of all bodies of the Board, irrespective of whether or not they are members of a Committee. In addition, Directors are provided with other information relevant to the exercise of their functions (relevant events, new regulations, access to press reviews, etc) through the platform.

Furthermore, the matters dealt with by the Board are usually presented by the managers responsible for the proposals, so that the Board Members can directly request clarifications, data or opinions from them in relation to the points dealt with in the session and can directly appreciate their qualifications for the position.

Finally, the Directors may request the additional information they deem necessary for the exercise of their duties through the Board Secretary.

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**C.1.36 Indicate and, where applicable, give details of whether or not the Company has laid down rules that oblige the Directors to report and resign when situations occur that affect them, whether or not they are related to their actions in the company itself, which may damage the company's credit and reputation:**

**Yes**  **No**

**Explain the rules**

In accordance with Article 11.4 of the Board Regulations, the Director is subject to the duty of loyalty under the terms established in prevailing legislation and, in particular, section e) of said article 11.4, establishes that the Director shall inform the Company of any kind of legal or administrative claim or any claim of any nature in which he/she is involved which, due to its significance, could have a serious bearing on the reputation of the Company. The Board shall examine the matter and adopt the appropriate measures in the Company's interest and with the required urgency.

Also, the Article 10.2 of the Board Regulations establishes that Directors shall be compelled to tender their resignation to the Board of Directors and proceed with the pertinent resignation, if the latter deems it appropriate, in the following cases:

- a) When Executive Directors step down from their executive positions.
- b) When they are subject to any of the conditions of professional prohibition or incompatibility pursuant to applicable laws, the Articles of Association or these Regulations.
- c) When they commit a serious breach of their obligations as directors, jeopardising the interests of the Company.
- d) When circumstances arise that may affect the credit or reputation of the Company or, in any other way, put the Company's interests at risk.
- e) When the reason why they were appointed as independent, executive or proprietary directors is no longer applicable.

**C.1.37 Unless there are special circumstances that have been recorded in the minutes, indicate whether the Board has been informed of or has otherwise become aware of any situation that affects a director, whether or not it is related to his or her actions in the company, that could damage the company's credit and reputation:**

Yes  No

Director's name	Criminal Case	Observations

**In the above case, indicate whether the board of directors has examined the case. If the answer is affirmative, explain in a reasoned manner if, in view of the specific circumstances, any measure has been adopted, such as the opening of an internal investigation, requesting the resignation of the director or proposing his dismissal.**

**Indicate also whether the Board's decision has been supported by a report from the Appointments Committee**

Yes  No

Decision taken/action taken	Reasoned explanation

**C.1.38 Detail the major agreements, entered into by the company based on the takeover, and the effects of these agreements.**

Most outstanding financial debt includes a change of control clause, either by acquisition of more than 50% of the voting shares or obtaining the right to appoint the majority of members of the Board of NATURGY ENERGY GROUP, S.A. These clauses are subject to conditions additional, so its activation depends on the simultaneity of some of the following events: the significant reduction in the credit rating or rating caused by the change of control, or loss of investment grade by rating agencies; the inability to fulfill the financial obligations of the contract; a material damage to the creditor, or a material change adverse to solvency. These clauses involve the repayment of the debt arranged, although they usually have a longer period than that granted in cases of early resolution.

Specifically, the bonds issued, in an approximate volume of 7,004.7 Million Euros, as is usual in the uromarket, would be susceptible to early maturity whenever that change of control will cause a fall of two or more steps or “full notches” in at least one of the two qualifications he had and all the qualifications fell below investment grade” and always that the Rating Agency expressed that the reduction of the credit rating is motivated by the change of control. Likewise, there are loans for an amount of approx. 2,822 million Euros, one part linked to long-term financing of infrastructure with funds from the European Bank of Investments and other long-term bilateral bank debt, which could be repaid anticipated in the event of a change of control. For the activation of these clauses in addition to the event of the change of control requires a reduction in the rating and has special debt repayment terms that are longer than those in cases of early resolution

- C.1.39 Identify, individually, when referring to Directors and in aggregate form in all other cases, and provide detailed information on agreements between the Company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operations.

Number of beneficiaries	14	
Beneficiary type	Description of the agreement	
Executive Chairman	<p>The Chairman's contract establishes compensation for the cessation or non-renewal of the position of Director for the overall amount of two years of: (i) fixed total annual cash remuneration, (ii) the annual variable remuneration and (iii) according to the concept of multi-year variable remuneration, a lump sum equivalent to 1.25 of the fixed total annual cash remuneration. This concept will only be multiplied by a full year if, at the time of accrual, the minimum profitability target of the LTI plan has not been reached; the second full year can be recovered if the minimum target was finally reached at the end of the plan.</p> <p>The compensation will not be payable in the event of serious and culpable breach of their professional obligations that causes significant damage to the interests of Naturgy. Furthermore and as a post-contractual non-competition agreement, compensation equivalent to one year's fixed remuneration has been established.</p> <p>The contract of the Executive Chairman sets out the termination of the contract and the payment of compensation if he forfeits his executive functions and will continue as non-executive Chairman. In this case, the compensation provided is identical to that of the previous section, but reduced by half, that is, one full year.</p>	
Executives	<p>The contracts signed with 10 executives contain a clause that establishes a minimum compensation of one full year of fixed remuneration in some cases and two full years of compensation in others in certain cases of termination of the relationship, which include certain cases of change of control, unfair dismissal or the cases set out in Articles 40, 41 and 50 of the Workers' Statute. These contracts also contain a clause which sets out compensation equivalent to one year's fixed remuneration for post-contractual non-competition for a period of two years.</p> <p>In addition, 1 executive have compensation agreements whose amounts entitle them to receive a minimum compensation of one fixed full year of remuneration in some cases and two full years of compensation in other in certain cases of termination of the relationship, which include unfair dismissal or the cases set out in Articles 40, 41 and 50 of the Workers' Statute.</p> <p>Moreover, there are compensation agreements with 3 other executives, equivalent to one year's fixed remuneration for post-contractual non-competition for a period of two (s) years.</p>	
<p><b>Indicate whether, beyond the cases stipulated by the regulations, these contracts have to be reported and/or approved by the bodies of the company or its group. If so, specify the procedures, assumptions foreseen and the nature of the bodies responsible for their approval or communication:</b></p>		
	<b>Board of Directors</b>	<b>General Meeting of Shareholders</b>
<b>Body that authorises the clauses</b>	YES	NO

	YES	NO
Is the General Meeting of Shareholders informed of the clauses?		X

Observations
In relation to the clauses of management personnel, the Appointments and Remuneration and the Board are informed of their terms and beneficiaries. The main terms of the contracts of the executives who report directly to the executive director are approved by the Board.

## C.2. Committees of the Board of Directors

### C.2.1 Give details on the board committees, their members and the proportion of executive, proprietary and independent directors:

#### EXECUTIVE COMMITTEE

Name	Position	Category
<b>% of executive directors</b>		
<b>% of proprietary directors</b>		
<b>% of independent directors</b>		
<b>% of other external directors</b>		

#### Observations

IT DOES NOT APPLY AS THE EXECUTIVE COMMITTEE NO LONGER EXISTS

Explain the committee's duties, other than those already described in section C.1.9, and describe the procedures and rules for the organisation and operation of the organisation. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law, by the Articles of Association or by other corporate agreements.

NOT APPLICABLE.

#### AUDIT COMMITTEE

Name	Position	Category
Mr. Claudi Santiago Ponsal	Chairman	Independent
Mr. Ramón Adell Ramón	Board Member	Proprietary
Mr. Pedro Sainz de Baranda Riva	Board Member	Independent
Mrs. Helena Herrero Starkie	Board Member	Independent
Mr. Jose Antonio Torre de Silva López de Letona	Board Member	Proprietary



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<b>% of proprietary directors</b>	40 %
<b>% of independent directors</b>	60 %
<b>% of other external directors</b>	-

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## Observations

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**Explain the functions, including, if applicable, those additional to those legally envisaged, which have been attributed to this committee, describe the procedures and rules for the organisation and functioning of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolutions.**

### **a) Functions of the Audit and Control Committee:**

The Committee has the powers established by law and those entrusted to it by the Board of Directors in general or in particular.

### **a) Functions of the Audit and Control Committee:**

- 1.- Drawing up the report on the functioning of the Audit and Compliance Committee.
- 2.- To ensure that the Board of Directors endeavours to present the accounts to the General Meeting of Shareholders without limitations or qualifications in the audit report and that, in those cases in which the auditor has included a qualification in its audit report, the Chairman of the Audit and Compliance Committee clearly explains to the General Meeting the opinion of the Audit and Compliance Committee on its content and scope, making a summary of said opinion available to the shareholders at the time of publication of the notice of the meeting, together with the rest of the proposals and reports of the Board, a summary of said opinion.
- 3.- Approval of the annual work plan of the Internal Audit Unit, and supervision, on an annual basis, of the activities of the said Unit.
- 4.- In relation to the information and control systems:
  - a. Supervise the process of preparation and the integrity of financial and non-financial information, as well as the systems of control and management of financial and non-financial risks relating to the company and, where appropriate, to the group, including operational, technological, legal, social, environmental, political and reputational risks or risks related to corruption, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
  - b. Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for that service; approve or propose approval to the board of the internal audit orientation and annual work plan, ensuring that its activity is focused primarily on relevant risks, including reputational risks; receive regular information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
  - c. Ensure the independence of the unit that assumes the Compliance function and propose the selection, appointment and dismissal of its head, appointment and dismissal of its head; propose the budget for this service

- d. Establish and supervise a mechanism which, while guaranteeing confidentiality and even anonymity, enables employees and other persons related to the company to report any potentially significant irregularities, including financial, accounting or any other type of irregularity related to the company, that they may notice within the company or its group, (d) In general, ensure that the policies and systems established for internal control are effectively applied in practice.
- e. Approve the fixed and variable remuneration of the heads of the Internal Audit and Compliance Units. Compliance

5.- In relation to the external auditor.

- a. In the event of resignation of the external auditor, to examine the circumstances giving rise to such resignation.
- b. Ensure that the external auditor's remuneration for his work does not compromise his quality or independence.
- c. Supervise that the company notifies the CNMV of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.
- d. Ensure that the external auditor holds an annual meeting with the full board of directors to report to it on the work performed and on developments in the company's accounting and risk situation.
- e. Ensure that the company and the external auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on auditor independence.

6.- To summon any employee or manager of the Company, and even arrange for them to appear without the presence of any other manager.

7.- To analyse and inform the Board of Directors on the economic conditions and accounting impact and, in particular, if appropriate, on the exchange ratio, in relation to the structural and corporate modifications that the Company plans to carry out.

8.- Supervision of the exercise of the functions of the internal risk control and management department.

9.- In relation to the supervision of compliance with the Codes of Conduct.

- a. Supervision of compliance with the company's internal codes of conduct.
- b. Supervision of the application of the general policy relating to the communication of economic-financial and non-financial information.
- c. Assessing all aspects of the company's non-financial risks, including operational, technological, legal, social, environmental, environmental, political and reputational risks.
- d. Coordination of the reporting of non-financial and diversity information in accordance with applicable regulations and international benchmarks.

10. Report on related-party transactions to be approved by the general meeting or the board of directors and supervise the internal procedure established by the company for those whose approval has been delegated.

**b) Procedures, and organisational and operational rules**

**in accordance with Article 26 of the Regulations of the board**

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

The Audit and Control Committee shall comprise a minimum of three (3) and a maximum of seven (7) Directors appointed by the Board of Directors from among the non-executive directors, and one of them will be appointed taking into account their knowledge and experience in issues of accountancy, audit or both. Its members shall leave their post when they do so in their capacity as Directors or as agreed by the Board of Directors.

The Board of Directors shall elect the Chairman from amongst the members of the Committee, the majority of whom will have the status of Independent Director; the Chairman shall not have the casting vote. The post of Secretary of the Committee will be held by the person who is the Secretary of the Board of Directors, if there is one.

The Committee shall hold meetings whenever necessary in order to issue its reports or proposals, and will be convened by its Chairman on his own initiative or upon prior request of two of its members. At least four (4) meetings per year must be held. The Committee may invite to its meetings any executive or employee it deems appropriate.

**c) Main actions taken during the year 2023.**

In the exercise of its powers during the year, it has reported and/or adopted proposals on, inter alia, the following matters:

In addition to the regular supervisory functions, e.g. on risk, cyber-security or related party transactions,, the Committee has addressed the following relevant issues during 2023:

- The independence of the External Auditor
- Oversight of Treasury Share transactions
- Authorisation of the provision of non-audit services by the External Auditor
- Oversight of the Group's Crime Prevention Model
- Implementation of the Group's Internal Information System, in accordance with the requirements of Law 2/2023.
- Monitoring the Work Plan of the Internal Audit and Compliance Areas.
- The process of renewing the External Auditor

**Identify the Directors who are Members of the Audit and Control Committee who have been appointed Chairman on the basis of knowledge and experience of accounting or auditing, or both, and state the date that said Director was appointed Chairman.**

<b>Name of Directors with experience</b>	DON RAMÓN ADELL RAMÓN
<b>Date of appointment as Chairman</b>	10/02/2022

**OBSERVATIONS**

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<b>Name</b>	<b>Position</b>	<b>Category</b>
Mr. Pedro Sainz De Baranda Riva	Chairman	Independent
Don Claudi Santiago Ponsa	Board Member	Independent
Don Enrique Alcantara-García Irazoqui	Board Member	Proprietary
Don Rajaram Rao	Board Member	Proprietary
RIOJA S.à.r.l (Rep D. Javier De Jaime Guijarro)	Board Member	Proprietary

<b>% of proprietary directors</b>	60 %
<b>% of independent directors</b>	40 %
<b>% of other external directors</b>	-

### **Observations**

**Explain the committee's duties, describe the procedure, and organisational and operational rules. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it either in the law or in the articles of association or other corporate resolutions.**

#### **a) Duties of the Appointments, Remuneration and Corporate Governance Committee:**

The Committee has the powers set out in Law and those entrusted to it by the Board of Directors in a general or specific manner.

The Board of Directors has entrusted it with the following functions:

1. Make proposals and report on Corporate Governance initiatives.
2. Prepare the report on the operation of the Appointments and Remuneration Committee.
3. Verify the policy for the selection of Board members and report on it in the Annual Corporate Governance Report.
4. Prepare a report in the event of the separation of an independent board member, before the statutory period for his/her appointment has expired.
5. Prepare a report in the event that the Board of Directors proposes the adoption of measures when it is aware that the actions of a Board member could damage the credit and reputation of the company or when he/she is considered to be under investigation in a criminal case R-22, Organise and coordinate the periodic evaluation of the Board of Directors and of the Chief Executive Officer of the Company.
6. Verify the independence of the external consultant selected to carry out the evaluation of the Board and its committees.
7. Propose to the Board of Directors the basic conditions of senior management contracts.
8. Verify compliance with the remuneration policy established by the Company.
9. Periodically review the remuneration policy applied to board members and senior management, including the share based remuneration systems and their application, as well as ensuring that their individual remuneration is proportionate to that paid to the other board members and senior management of the company.

10. Ensure that any conflicts of interest do not undermine the independence of the external advice provided to the committee.
11. Verify the information on directors' and senior executives' remuneration contained in the various corporate documents, including the annual report on directors' remuneration.
12. Supervise compliance with the company's corporate governance rules, ensuring that the corporate culture is aligned with its purpose and values.
13. The evaluation and periodic review of the adequacy of the company's system of corporate governance, in order for it to fulfil its mission of promoting the corporate interest and taking into account, as appropriate, the legitimate interests of other stakeholders.
14. Prepare a report on the remuneration systems that award shares, options or financial instruments when the director requests their sale before the three-year period from their award in order to deal with extraordinary situations that may arise.

**b) Procedures, and organisational and operational rules**

**In accordance with Article 25 of the Regulations of the Board:**

The Appointments, Remuneration and Corporate Governance Committee shall comprise a minimum of three (3) and a maximum of seven (7) Directors appointed by the Board of Directors from among the non-executive directors, and at least one of them will be appointed taking into account their knowledge and experience in issues of accountancy, audit or both. Its members shall leave their post when they do so in their capacity as Directors or as agreed by the Board of Directors.

At least two of the members of the Nomination, Remuneration and Corporate Governance Committee shall be Independent Directors, from which the Board of Directors shall elect the Chairman of the Committee, who shall not have a casting vote. The Secretary of the Committee shall be the Secretary of the Board of Directors, although the Deputy Secretary, if any, may act as Secretary of the Committee.

The Committee shall hold meetings whenever necessary in order to issue its reports or proposals, and will be convened by its Chairman on his own initiative or upon prior request of two (2) of its members. At least four (4) meetings per year must be held. The Committee may invite to its meetings any executive or employee it deems appropriate.

**c) Main actions taken during the year 2023:**

In addition to the regular monitoring functions, the Commission has addressed the following relevant issues during 2023:

- The process of renewing the positions of executive chairman, 2 independent directors and 1 proprietary director due to the expiry of the statutory term of their appointment.
- The proposal for the remuneration of the executive director, the management team and the members of the board of directors.
- The process of updating the Board's competency matrix.
- The talent management process
- The succession plan for the Executive Chairman
- Work Climate Analysis

**APPOINTMENTS COMMITTEE**

Name	Position	Category
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% de consejeros dominicales
% de consejeros independientes
% de otros externos

Observations

Explain the committee's duties, including, if applicable, those additional to those legally established, which this committee has been assigned, and describe the procedures and rules of organisation and operation of the same. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, either by law or by the statutes or other corporate resolutions.

#### REMUNERATION COMMITTEE

Name	Position	Category
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% of proprietary directors
% of independent directors
% of other external directors

Explain the committee's duties, including, if applicable, those additional to those legally established, which this committee has been assigned, and describe the procedures and rules of organisation and operation of the same. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, either by law or by the statutes or other corporate resolutions.

#### SUSTAINABILITY COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Category</b>
Helena Herrero Starkie	Chairman	Independent
Isabel Estapé Tous	Board Member	Proprietary
Jaime Siles Fernández Palacios	Board Member	Proprietary
Lucy Chadwick	Board Member	Proprietary

<b>% of proprietary directors</b>	75 %
<b>% of independent directors</b>	25 %
<b>% of other external directors</b>	0

**Explain the committee's duties, describe the procedure and organisation and operational rules. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you either by law or by the statutes or other corporate resolutions.**

In accordance with Article 26 of the Rules of Organization of the Board of Directors and its committees, the Sustainability Committee will be made up of a minimum of three and a maximum of six Board Members, appointed by the Board of Directors from among the non-executive Board Members, taking into account the knowledge, skills and experience of the Board Members and the tasks of the Committee.

Its members will resign when they cease to be Board members or when the Board of Directors so decides.

The Board of Directors will elect the Chairman of the Committee who will have the category of Independent Board Member and will not have a casting vote. The Secretary of the Committee will be the Secretary of the Board of Directors although the Vice-Secretary, if any, may act as Secretary of the Committee.

The Sustainability Committee will have the powers assigned to it by the Board of Directors.

The Committee, called by its Chairman, will meet when necessary to issue the reports or proposals within its competence or when deemed appropriate by its Chairman or at the request of two of its members and at least three times a year. The Commission may invite any manager or employee it considers appropriate to attend its meetings.

The powers granted to it by the Board of Directors are as follows:

1. To propose to the Board of Directors the approval of a Sustainability Policy
2. To propose to the Council the objectives and guidelines of the Group in the field of environment, health and safety and social responsibility, included in the Sustainability Plan.
3. Periodically analyse indicators in the field of environment, health and safety and social responsibility
4. The review of the information published by Naturgy to the market in relation to sustainability
5. The supervision of compliance with the policies and rules of society in environmental and social matters.
6. The evaluation and periodic review of the environmental and social policy of the society, in order that they fulfil their mission of promoting the social interest and take into account, as appropriate, the legitimate interests of other stakeholders.
7. Monitoring that society's environmental and social practices are in line with the set strategy and policy.
8. Monitoring the implementation of the general policy on communication with shareholders and investors, proxy advisors and other stakeholders, as well as monitoring how the institution communicates and engages with small and medium-sized shareholders.
9. Supervision of the design, implementation and monitoring of the SCIINF

10. Approval of the content and criteria to be included in the Non-financial Information

The most relevant actions in 2023 were:

- a. Implementation of the Internal Control System for Non-Financial Information (SCIINF).
- b. Impacts of the new Non-Financial Reporting Directive, CSRD and work plan for its adaptation to the non-financial reporting from January 1, 2024.
- c. Sustainability Plan 2021-2025: monitoring of established objectives and updating of those objectives that have been considered appropriate to align with the performance and projections of the business plans.
- d. Promotion of new projects in environmental and social matters as a consequence of new regulations or improvement of the company's performance in terms of sustainability.
- e. Responsible supply chain: measurement of the carbon footprint by collaborating companies
- f. ESG indices and ratings: the Commission has examined the evolution of results, areas for improvement identified and the way in which third parties appreciate Naturgy's efforts in this area, as well as the recognitions received.
- g. Safety and health: the Commission has reviewed the incidents and accidents that occurred during the year, being concerned in which lessons are drawn from the incidents suffered.

**C.2.2 Complete the following table on the number of female directors on the various board committees at the end of the past four years:**

	Number of female directors							
	Financial Year		Financial Year		Financial Year		Financial Year	
	2022	2021	2020	2019	2022	2021	2020	2019
	Number	%	Number	%	Number	%	Number	%
<b>Executive Committee</b>	-	-	-	-	-	-	-	-
<b>Audit Committee</b>	1	20 %	1	20,00 %	3	42,86 %	3	43 %
<b>Appointments and Remuneration Committee</b>	0	0%	0		0	0%	0	0%
<b>Appointments Committee</b>	-		-		-		-	
<b>Remuneration Committee</b>	-		-		-		-	
<b>Sustainability Committee</b>	3	75 %	3	60%	3	60 %	-	60 %

**C.2.3 Indicate, where applicable, the existence of committee regulations, the location at which they are available for consultation and the modifications that have been made during the financial year. Also indicate whether any annual report on each committee's activities has been voluntarily drafted.**

The Board Committees are regulated in the Articles of Association and in the Regulations for the Organisation and Functioning of the Board of Directors of NATURGY and its Committees.

Both documents are published on the Company's website ([www.naturgy.com](http://www.naturgy.com)) →Shareholders and investors  
→Corporate governance → governance bodies and rules.

The Executive Committee, the Audit and Control Committee and the Appointments, Remuneration and Corporate Governance Committee have all drawn up a report on the quality and effectiveness of their performance over the previous year.



## D RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

### D.1 Explain, if applicable, the procedures for approving related party or intra-group transactions.

#### Procedures for approving related party transactions

Pursuant to Art. 529 Duovicies LSC:

(i) the power to approve related-party transactions whose amount or value is equal to or exceeds 10 % of the total asset items according to the last annual balance sheet approved by the company is vested in the general meeting.

ii) The power to approve all other related-party transactions shall be vested in the board of directors, which may not delegate it.

In both cases, the approval of a related-party transaction shall be subject to a prior report by the Audit and Compliance Committee, which shall report on the reasonableness of the transaction from the point of view of the company and, where appropriate, of the shareholders other than the related party, and shall give an account of the assumptions on which the evaluation is based and the methods used.

Furthermore, and as provided for in section 4 of Art. 529 Duovicies, the board of directors at its meeting held on 21 December 2021 resolved to delegate to the executive chairman the approval of the following related-party transactions:

(a) transactions between Naturgy group companies that are carried out within the scope of ordinary management and on an arm's length basis;

b) transactions entered into by virtue of contracts whose standardised conditions are applied en masse to a large number of customers, are carried out at prices or rates established generally by the party acting as supplier of the good or service in question, and whose amount does not exceed 0.5 per cent of the net turnover of the company.

For the approval of this type of transaction, the board of directors has approved at its meeting of 21 December 2021 an internal procedure for periodic information and control, in which the Audit and Control Committee participates, shall verify the transparency of such transactions and, where appropriate, compliance with the legal criteria applicable to such transactions.

### D.2 List individually those transactions that are significant due to their amount or relevant due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or represented on the company's board of directors, indicating which body was competent to approve them and whether any shareholder or director affected abstained. In the event that the board was competent, indicate whether the proposed resolution was approved by the board without the majority of independent directors voting against::

Name or Company Name of Significant Shareholder	% Shareholding	Name or Company Name of the Company or Entity of the Group	Nature of the Relationship	Type of operation and other information necessary for the assessment of the operation	Amount (thousands of euros)	Approving body	Identification of the significant shareholder or director who abstained from voting	The proposal to the board, if any, has been approved by the board without a majority of independent directors voting against.

**Observations**

The economic amounts materialised in the year corresponding to transactions approved in previous years are disclosed in Note 34 Information on related party transactions to the annual accounts of the ACs.

**D.3 List individually the transactions that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the directors or executives of the company, including those transactions carried out with entities that the director or executive controls or jointly controls, indicating which body was competent to approve them and whether any shareholder or director affected abstained. In the event that the board was competent, indicate whether the proposed resolution was approved by the board without the majority of independent directors voting against: :**

Name or Company Name of the Administrators or Executives	Name or Company Name of the Related Party	Relationship	Nature of the Operation	Amount (thousands of euros)	Body which approved it	Identification of the shareholder or director who abstained from voting	The proposal to the board, if any, has been approved by the board without the majority of independents voting against.
:							

**Observations**

The economic amounts materialised in the year corresponding to transactions approved in previous years are disclosed in Note 34 Information on related party transactions to the annual accounts of the ACs.

**D.4 Report on the significant transactions carried out by the company with other companies belonging to the same group, provided that they are not eliminated in the process of drafting the consolidated financial statements and are not part of the company's usual trading in terms of its purpose and conditions.**

**Under all circumstances, report any intra-group transaction performed with entities established in countries or territories considered to be a tax haven:**

Company Name of the Entity of the Group	Brief description of the Operation	Amount (thousands of euros)

**Observations**

The economic amounts materialised in the year corresponding to transactions approved in previous years are disclosed in Note 34 Information on related party transactions to the annual accounts of the ACs.

**D.5 List individually any transactions that are significant in amount or material in terms of their subject matter carried out by the company or its subsidiaries with other related parties that are significant in accordance with International Accounting Standards as adopted by the EU and have not been reported under the preceding headings.**

<b>Name of the Entity of the Group</b>	<b>Brief description of the Operation</b>	<b>Amount (thousands of euros)</b>

**Observations**

**D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.**

**1.- Directors:**

In accordance with the Regulations of the Board:

The Director is subject to the duty of loyalty under the terms established in prevailing legislation and, in particular:

In accordance with the regulations, the Director must inform the other members of the Board of his or her conflict of interest and must abstain from participating in the vote.

In the cases in which a situation of conflict of interest has been observed, the affected Board Member(s) have been absent from the meeting when the point on the agenda they have a conflict of interest with has been dealt with and the Secretary has ensured that these Board Members have not been able to access the affected information either.

**2.- Directors and executives:**

On the other hand, pursuant to Article 3 and 4 of the Internal Code of Conduct in Matters relating to the Securities Markets and Treasury Stock Policy (ICC), persons with management responsibilities and insiders, during certain periods of time will refrain from carrying out transactions on their own or for the account of a third party, directly or indirectly on the Affected Securities ( i ) Transferable securities issued by companies of the NATURGY Group, which are traded on a secondary market or other regulated markets, in multilateral trading systems or in other organised secondary markets, or for which an application for admission to trading on one of these markets or systems has been made. (ii) financial instruments and contracts of any kind giving the right to acquire or sell the securities referred to in (i) above (iii) The financial instruments and contracts whose underlying are the securities indicated in (i)(iv) For the sole purpose of the rules of conduct regarding privileged information contained in Title III of these Regulations, the securities and financial instruments issued by other companies or entities other than the NATURGY Group, regarding which there is Privileged Information

The Supervisory Body, upon written request, describing and justifying the Personal Operation to be carried out and that the specific operation cannot be carried out at any other time than a limited period may authorise Persons with Management Responsibilities to perform personal transactions on Affected Securities in the periods in which there is a general prohibition when certain circumstances are given and justified in the ICC itself. The Supervisory Body will inform the Audit and Control Committee at least once a year about the authorisations that have been requested.

For their part, pursuant to section 4.10 of the Code of Ethics, employees must inform the company in the event that they or their close relatives participate or will participate on the governing bodies of other companies that may clash with the interests of Naturgy. In the performance of their professional responsibilities, employees must act with loyalty and defend the interests of the group. Furthermore, they must avoid situations that may give rise to a conflict between personal interests and the interests of the company. Accordingly, Naturgy employees must refrain from representing the company and participating in and influencing decisions in any situation in which they directly or indirectly have a personal interest.

**3.- Significant shareholders:**

It will be the responsibility of the Board of Directors, pursuant to a report from the Audit and Control Committee, to approve transactions carried out by the company or the companies in its Group with directors under the terms set forth in the current applicable legislation or with shareholders who, individually or in conjunction with others, hold a significant stake, including shareholders represented on the company's Board of Directors or the board of other companies belonging to the same group or with persons associated with them.

**D.7 Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relationships with such entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.**

Yes  No

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**Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries on the one hand and the parent company or its subsidiaries on the other have been publicly defined:**

Yes  No

**Report on the respective areas of activity and any business relationships between, on the one hand, the listed company or its subsidiaries and, on the other hand, the parent company or its subsidiaries, and identify where these aspects have been publicly reported**

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N/A

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**Indicate the mechanisms laid down to solve possible conflicts of interests between the other parent company of the listed company and the other companies in the group:**

**Mechanisms for solving possible conflicts of interests**

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N/A

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## E. CONTROL SYSTEMS AND RISK MANAGEMENT

### E.1 Describe the control and risk management system in place at the company, including fiscal risks.

Naturgy's risk management system seeks to mitigate volatility in the company's performance both in cash generation and in non-financial aspects; ESG, cybersecurity, compliance. It quantifies the variability of financial results and ensures that it is in line with the risk profile inherent in the business portfolio. In addition, non-financial risks are monitored regularly.

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

- a. Risk Governance & Management: risk governance and management mechanism for all types of risks and for all businesses.
- b. Risk Assessment: methodology, procedure and process for identifying, assessing and measuring risks.
- c. Risk Appetite: definition of risk tolerance through the setting of limits for the most relevant risk categories, by nature of the risk and by business according to the objectives.
- d. Risk Reporting: systematic and periodic reporting and monitoring of risk at different management levels: Business Units, Corporate Units, Audit and Control Committee and Board. It is materialized through the Corporate Risk Map, other risk maps and the periodic report of the market risk position to the Management Committee and the Businesses.

### E.2 Identify the bodies responsible for preparing and implementing the control and risk management system, including fiscal risks.

Naturgy has different bodies, with clearly identified areas of responsibility, which ensures predictability and sustainability in operational and financial performance.

#### **Board of Directors**

It is responsible for approving the company's Risk Control and Management Policy and Risk Appetite and takes decisions to assume or mitigate risks that exceed the approval thresholds established in the Board Regulations. Supervises the company's Risk Management and Control System.

#### **Audit and Control Committee**

By delegation, it is the body in charge of overseeing the risk model and the effectiveness of control. It ensures that they identify the different types of risks and the measures to mitigate them and to address them should they materialise.

#### **Management Committee**

It is responsible for the effective implementation of the risk strategy approved by the Board of Directors and for disseminating the control culture.

#### **Specific Committees**

They are responsible for the identification, assessment and management of risks, providing support to the Management Committee. The committees are made up of members of the Management Committee and other senior management of the organisation, notably

- **The Energy Balance, Risks and Trading Committee** is responsible for monitoring the evolution of energy commodities (gas, electricity, CO2, etc.), the evolution of indices, as well as for taking decisions on buying, selling or hedging, which correspond to the management level;
- **The Regulatory Committee** is responsible for monitoring regulatory initiatives, both at the national and international level, and making the corresponding decisions; and
- **The Ethics and Compliance Committee** is in charge of supervising the operation of and compliance with the Criminal Prevention Model and other compliance models adopted by the Naturgy Group.

#### **Units with risk control function**

Responsible for controlling, managing and reporting the risk assumed in their sphere of activity and ensuring that the target risk profile and limits are maintained. In each business there is a unit with a specific risk control function.

Of these units, which may be represented on specific committees, the following are noteworthy:

Energy and Risk Planning, which is responsible for controlling, managing and reporting the level of risk assumed within its business, as well as maintaining the target risk profile and limits.

Controlling Unit which is responsible for the risk function, coordinates the process of identification, assessment, treatment and updating of the risks managed by the units entrusted with risk control functions and prepares a global and integrated vision of all the company's risks through the Corporate Risk Map, which is presented to the Management Committee and the Audit and Control Committee.

Internal Audit, as a third line, examines the level of compliance with the Risk Control and Management Policy through the appropriate audits.

A key task of the units with risk control functions is the modelling of financial statements, aimed at identifying their main sensitivities and anticipating possible negative impacts and corrective or mitigating actions.

It is the responsibility of the **Units with risk control function** to assess the risks identified, taking into account the following:

- a. The characteristics of the Position at risk
- b. Impact variables.
- c. Qualitative and quantitative severity if the risk materialises.
- d. Probability of occurrence.
- e. Controls and mitigation mechanisms employed and their effectiveness.

**E.3 Indicate the main risks, including fiscal, to the extent that those derived from corruption are significant (the latter being understood to be within the scope of Royal Decree Law 18/2017) which may prevent the company from achieving its business targets.**

<b>Market risk</b>	<b>Description</b>	<b>Management</b>
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**Naturgy Energy Group, S.A. and subsidiaries**  
**2023**

Raw material prices	Gas	Volatility in international markets which determine gas prices.	Physical and financial hedges. Portfolio management
	Electricity	Volatility in electricity markets in Iberia and Europe	Physical and financial hedges. Optimisation of generation park.
Exchange rate	.	Volatility in international currency markets.	Geographical diversification. Hedging through local currency funding and derivatives..
Regulatory		Exposure to revision of the criteria and recognised profitability levels for regulated activities and/or regulatory measures to mitigate macro overhang scenarios.	Intensified communication with regulatory bodies. Adjustment of efficiencies and investments to recognised rates.
Volume	Gas	Gap between gas supply and demand. Reduction in available thermal gap. Uncertainty in the volume of renewable production due to variability of the resource.	Optimisation of contracts and assets. Trading. Optimisation of the marketing-generation balance
	Electricity		
Margin/price		Risk arising from changes in competitive pressure or margin optimisation scenarios.	Coberturas financieras. Diversificación de las fuentes de financiación.
Legal		Uncertainty arising from the potential outcome of litigation, arbitration or open legal claims.	Analysis and mitigation of legal risks affecting the company's operations and corporate governance. Hiring of top-level legal firms. Provisioning with criteria of prudence
Insurable risks		Accidents, damage or unavailability of Naturgy's assets..	Continuous improvement plans. Optimisation of the total cost of risk and coverage.
Fiscal		Ambiguity or subjectiveness in the interpretation of the prevailing fiscal regulations, or through a relevant change to the same.	Consultations with independent expert organisations. Recruitment of leading consultancy firms. Adhesion to the Code of Good Tax Practices. Allocation of provisions with criteria of prudence.
Interest rate		Volatility in financing interest rates, due to existing debt or debt refinancing.	Financial hedging. Diversification of sources of financing.
Credit		uncertaintyUncertainty associated with the probability of non-payment of monetary obligations and/or deterioration of the credit quality of the different end customers and counterparties with which Naturgy operates.	Diversification of sources of financing.

Liquidity, Solvency, Rating and Provisions	Financial risks associated with the maintenance of the company's rating, derived from liquidity conditions or other causes. Risks associated with excessive use of resources due to the maintenance of provisions.	Setting a target rating and managing sufficient liquidity to maintain it in a potential scenario.
Security	Residual risk associated with personal injury or property damage intentionally caused by a third party to critical facilities..	Corporate positioning through the Security Policy, defining a specific protection model for Critical Infrastructure specific protection model for Critical Infrastructures (IICC). Liaison with businesses, the National Centre for the Protection of Critical Infrastructure (CNPIC), the National Cybersecurity Institute (INCIBE-CERT) and other bodies.
Business continuity and crisis management	Risk of loss of service level maintenance resulting from inadequate or failed processes, systems or staff performance...	Annual Internal Audit Plan. Detection of weaknesses. Implementation of improvement actions (recommendations). Audit and Control Committee.
Fraud	Risk derived from any intentional, unlawful action by an employee or third party, to achieve a direct or indirect benefit for themselves or for the company, through the improper use of Naturgy's resources or assets.e.	Control mechanisms through the Global Policy of the Internal Financial Reporting Control System. Hedging in the insurance market.
Cybersecurity	Malicious attacks or accidental events affecting data, computer networks or technology.	.Implementation of security measures. Analysis of events and application of remedies Training
Data protection	Uncertainty associated with non-compliance with Data Protection obligations that may result in an administrative sanction or civil judgement.	Action plan by business area to mitigate the risk associated with each obligation according to priority and criticality. Work is carried out in line with the requirements of the General Data Protection Regulation (GDPR) and Organic Law 3/2018, of 5 December, on the Protection of Personal Data and Guarantee of Digital Rights (LOPDGDD). Internal audit plan for periodic review of compliance.
Environmental	Possibility of exceeding mandatory environmental limits set by the regulator, either naturally or by human action, damaging ecosystems or biodiversity.	Emergency plans for facilities at risk of environmental accidents. Specific insurance policies. Comprehensive environmental management



Health and Safety	Risk of injury and deterioration of the health of Naturgy professionals and collaborating companies related to the activity.	Health and safety management system. Safety plan aimed at controlling of the six most critical risk factors in terms of frequency and severity of accidents: confined spaces accident rate: confined spaces, work at height, electrical risk, tree felling and pruning, load handling and road safety.
Reputational and ESG	Deterioration of the perception of Naturgy from different stakeholders, for environmental, social and governance reasons.	Identification and monitoring of potential reputational events. Transparency in communication. Control mechanism through the Internal Control System for non-financial information.
Compliance risk		
Reputational and criminal risk	Administrative and criminal sanctions. Deterioration of the reputational image of NATURGY.	Crime Prevention Model. Ethics Code and Anticorruption Policy. Whistleblowing Channel. Compliance Training.
Thrid-Party risk	Administrative and criminal sanctions. Damage derived from contractual breach.	Third-Party Due Diligence Procedure

**E.4 Identify if the company has a risk tolerance level, including tax risks.**

The company has risk tolerance levels established at corporate level for the main types of risk through the setting of limits, by nature of the risk, including tax risks, and by business, depending on the objectives.

The risk assessment process starts with the identification of risks, generally by the businesses that support the exposure. Annually, with the preparation of the Corporate Risk Map, a tool that allows the company to continuously improve the process of identification, characterisation and determination of Naturgy's risk profile, an in-depth review is carried out by the Units with risk control function to ensure the correct identification of all exposures, both current and potential.

**E.5 Identify any risks, including tax risks, which have occurred during the year.**

The risks materialised during the year, both positive and negative, were inherent to the activity carried out, such as the volatility of gas and electricity prices in Spain and internationally, exchange rates, interest rates, volume, credit and counterparty risks and other relevant contingencies.

In view of the uncertain economic outlook for the country and the world, the company will seek to position itself in stable geographic areas to ensure steady growth that contributes to the generation of value and profitability of the businesses and the company: balancing the weight of its businesses in its mix of activities, placing greater ambition on increasing the contribution of regulated activities, increasing renewable generation capacity in line with the global energy transition, optimising the natural gas and LNG supply portfolio and developing innovation projects in hydrogen and its blending in gas networks, other renewable gases, energy efficiency, sustainable mobility and just transition.

**E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to new challenges.**

Naturgy analyses its global risk profile according to the potential impact on its financial statements. With this, it determines the maximum accepted level of risk exposure, as well as the admissible limits for its management.

In the exceptional scenario that arose in 2022, and which has continued during the financial year 2023, the Board of Directors has permanently received information on the potential impact on results of the evolution of the energy scenario in order to adopt business and risk mitigation decisions in real time, as well as on the different regulatory and tax aspects, both in the draft phase and after their formal approval, which could impact on the business or on said estimated results.

For matters that did not reach the threshold for approval by the Board of Directors, this task was carried out by the specific committees, monitoring and taking business and risk mitigation decisions.

## F. INTERNAL SYSTEMS OF CONTROL AND RISK MANAGEMENT WITH REGARD TO THE INTERNAL CONTROL SYSTEMS OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms that make up your entity's internal control system and management of risks with regard to the financial information reporting process (ICFR).

### F.1 The company's control environment

Report on, duly detailing their main characteristics, at least:

#### F.1.1. Which bodies and/or functions are in charge of: (i) the existence and upkeep of an appropriate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Naturgy has defined its Internal Control over Financial Reporting System (hereinafter, ICFR) in the "Global Policy and General Procedure of the Internal Control over Financial Reporting System (ICFR) of Naturgy", the responsibility model being as follows:

- Board of Directors: It is responsible for the existence of an adequate and effective ICFR, as established in Article 3 section II of the Regulations of Organisation and Functioning of the Board of Directors of Naturgy Energy Group, S.A. and its Committees.
- Audit and Control Committee: It is responsible, on a delegated basis, for the supervision of the ICFR, as established in article 26 section 2 of the Regulations of the Board of Directors.
- Internal Audit Unit: It is responsible for supporting the Audit and Control Committee in the supervision and continuous assessment of the effectiveness of the Internal Control System in all areas of Naturgy.
- Administration Unit Corporation: It is responsible for establishing the criteria and principles of the design of the ICFR, to ensure the integrity, consistency and accuracy of financial information and approve the regulations in this area, as well as discuss with the auditor of accounts the significant weaknesses of the internal control system detected in the development of the audit.
- Business Administration and Operational Monitoring Unit: Responsible for the implementation and operation of the ICFR, ensuring compliance with corporate criteria within its business.
- Compliance Unit: Responsible for the Criminal Prevention Model in Naturgy, it provides information and support to the Audit and Control Committee on the control model.
- Business and corporate units involved in the process of preparing financial information (control owners): They are responsible for executing the processes and maintaining the daily operations, ensuring that the control activities implemented are carried out, evaluating them or supervising the outsourced service activities, when they participate in relevant processes in the preparation of financial information, with the established frequency and, annually, performing the Annual Internal Certification of the ICFR (direct and/or supervised control activities).

**F.1.2. Whether or not the following elements exist, particularly with regard to the procedure for financial reporting:**

- **Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of the lines of responsibility and authority, with an appropriate distribution of tasks and duties; and (iii) that there are sufficient procedures for proper dissemination at the entity.**

The design and review of the organisational structure of the first level of management and the definition of lines of responsibility are carried out by the Board of Directors, through the Executive Chairman in collaboration with the People and Organization Department, and the Appointment, Remuneration and Corporate Governance Committee.

In turn, the People and Organization Department is responsible for defining the Group's organizational structures, assigning functions and responsibilities of the different units deployed, ensuring dissemination procedures within the organization.

The Corporate Management Unit is responsible for establishing policies and procedures relating to the financial reporting process.

- **.Code of conduct, approving body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of the recording of transactions and preparation of financial information), body responsible for analysing breaches and proposing corrective actions and sanctions**

- Naturgy has a Code of Ethics, approved by the Board of Directors, which is mandatory for all employees of NATURGY ENERGY GROUP, S.A. and all investee companies in which Naturgy has management control and which incorporates in Chapter 3, the guiding principles of conduct in Naturgy and in Chapter 4 the specific guidelines for action to be observed by employees in the areas of content determined therein, referring in Chapter 4 to the treatment of information, obliging all employees to transmit truthfully all information to be communicated both internally and externally. 11 to the treatment of information, obliging all employees to truthfully transmit all information to be communicated both internally and externally.

The body in charge of analysing breaches and proposing corrective actions and sanctions in Naturgy is the Ethics and Compliance Committee, which is also responsible for promoting the dissemination and application of the Code of Ethics and the Compliance Policy, among other rules, throughout the group and providing a communication channel to all employees for queries and notifications of breaches of these regulations.

The Committee is chaired by the Compliance Officer and is made up of representatives from different units involved in monitoring compliance with internal and external regulations.

The Committee reports regularly to the Management Committee and to the Audit and Control Committee. It reports and makes recommendations, proposing corrective actions to the units in charge of solving the problems arising from the practical application of the Code of Ethics and other applicable internal and external regulations, acting in turn as a liaison between them and the employees.

The sanctioning regime, where necessary, is referenced to the Collective Bargaining Agreement and the Workers' Statute.

- **Whistleblowing channel, which enables communication to be sent to the Audit and Control Committee concerning any irregularities of a financial and accounting nature, along with any possible breaches of the Code of Conduct and irregular activity within the organisation, and state whether said channel is confidential whether it allows for anonymous communications while respecting the rights of the complainant and the accused**

In accordance with the provisions of Law 2/2023 of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption, Naturgy has an Internal Reporting System that integrates the various communication channels of the Naturgy Group through which employees and third parties can file complaints. at the web address <https://naturgy.integrityline.com/>.

The aforementioned Internal Reporting System corresponds to an open channel (a web platform accessible from any device), accessible to all Naturgy employees and interested third parties that allows all group employees, suppliers and collaborating companies to collect or provide information on irregularities of a financial and accounting nature, breaches of Naturgy's Code of Ethics or any other irregular activity that may eventually be carried out in the organisation..

All communications made through the channel are absolutely confidential and may, at the choice of the informant, be anonymous, respecting the provisions set out in Law 2/2023 and in the Personal Data Protection regulations.

More detailed information on the Code of Ethics, the Anti-Corruption Policy, the Compliance Policy, the activities of the Ethics and Compliance Committee and the use of the Internal Reporting System can be found in the Annex to Naturgy's 2023 Non-Financial Information Statement.

- **Training programmes and periodic retraining for personnel involved in the preparation and review of financial reporting, as well as the assessment of the ICFR, which at least cover the accounting, audit, internal control and risk management standards.**

The Global Management Talent and Training Policy establishes the training model that guarantees the adequacy and development of skills and competencies which, for the economic-financial area, focuses on specific knowledge of; updating accounting, financial, risk management, management control, budgets, energy transition, climate change and sustainability, international regulations and technical knowledge of the tax area; as well as providing sufficient knowledge on financial modelling, company valuation, financial derivatives, analysis of financial statements and cybersecurity, among others.

In total, in 2023, more than 350 professionals from the economic and financial areas dedicated almost 1,500 hours to training in this content.

## **F.2 Assessment of financial reporting risks**

**Provide information, at least, on the following:**

### **F.2.1. What are the main characteristics in the risk identification process, including risks of error or fraudulent practices, with regard to:**

- **If the process exists and it is documented.**

TNaturgy has a financial information risk identification process documented through three internal procedures that determine the applicable criteria and methodology:

- The Financial Reporting Scope Definition Matrix: sets out the critical, relevant and material processes to be covered by the internal control modeling.
- The Financial Reporting Risk Matrix identifies the financial reporting risks to be mitigated for each of the processes within the scope.
- The Financial Reporting Control Activities Matrix which sets out the criteria for the control activities necessary to mitigate the risks identified..

Within the ICFR risk identification process, consideration has been given to mitigating the risk of fraud through prevention, detection and investigation of fraud situations, designing "active" control activities, such as barriers to restrict or prevent access to valuable assets by those who may attempt to commit fraud, and "passive" control activities that aim to stop fraud being committed through deterrence measures.

The financial reporting risk identification process is a dynamic system, which is regularly updated.

- **If the process covers all the financial reporting objectives (existence and occurrence; integrity; assessment; presentation, breakdown and comparability; and rights and obligations), if it is updated and how frequently.**

In order to guarantee the objectives of financial reporting, Naturgy's ICFR control activities directly identify which financial assertions are covered, i.e. the risks covered, making it possible to categorise the criticality of the control activities according to the number of financial assertions assigned.. This model ensures that, for critical processes, the necessary and sufficient controls are in place and guarantee all financial reporting objectives. The Control Activity Matrix is updated on a quarterly basis.

- **The existence of a process for the identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special purpose entities.**

Naturgy has a specific procedure detailing the monthly updating process of the perimeter, in accordance with the existing corporate operations in the period, regardless of the corporate structure used, which describes the information process, the responsible units involved and the systems involved..

- **If the process takes other types of risks into account (operating, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.**

In the ICFR Risk Matrix, the risks associated with the achievement of financial reporting objectives have been identified, taking into account not only the coverage of financial assertions, but also other types of risks, mainly operational, technological, cybersecurity, reputational, segregation of duties, management of access to information, etc., which are part of Naturgy's Corporate Risk Map..

- **Which governing body of the company supervises the process.**

Supervision of the effectiveness of the ICFR is the responsibility of the Audit and Control Committee. This function is carried out by the Internal Audit unit and the External Audit unit (see section F.5).

### **F.3 Control activities**

**State, duly detailing their main characteristics, whether, at least, the following aspects exist:**

- F.3.1. Procedures for the review and authorisation of financial reporting, and the description of ICFR, to be published on the securities markets, indicating their supervisors, and the documentation which describes the flow of activities and controls (including those relating to risk of fraud) of the different types of transactions which can have a material impact on the financial statements, including the closing of accounts procedure and the specific review of relevant judgements, estimates, valuations, and protection.**

As a first level of review, the heads of the Administration and Operational Monitoring units of the businesses review the financial information prepared to ensure its reliability and certify the reasonableness of the individual annual accounts. They also ensure that the accounting procedures, judgements and estimates and processes used in the preparation of the economic and financial information and financial statements, the main risks and contingencies and their coverage by provisions and the tax position of the companies and the main tax policies are correct, complete, duly detailed and reported and in accordance with the applicable local tax laws and regulations.

Ultimately, the head of Consolidation and Accounting Planning certifies the reasonableness of the individual annual accounts of NATURGY ENERGY GROUP, S.A. and the consolidated annual accounts submitted to the Board of Directors for approval.

The processes identified in the ICFR are documented by means of the matrix of control activities, in the SAP GRC Process Control system and in the corresponding technical instructions describing the processes, including, among other variables, the information flow diagram, the map of systems that interact in it, the control activities and the risks covered and those responsible for the processes. In this sense, Naturgy has identified as critical processes all those where judgements, estimates, valuations and relevant projections are used.

Finally, the annual internal certification of controls is carried out by all those responsible involved (control owners) in the processes of preparing the financial information, reporting the weaknesses detected in the evaluation of the controls and the plans defined to remedy them.

**F.3.2. Internal control policies and procedures on information systems (inter alia, on access security, control of changes, operation thereof, operating continuity and separation of functions) which support the relevant processes of the company in drawing up and publishing financial information.**

For the critical processes associated with the preparation and publication of Naturgy's financial information, the control activities that operate in the information systems have been identified, both for those used directly in the preparation of financial information and for those that are relevant in the process or control of the transactions reflected therein.

At a general level, within Naturgy's information systems map, a series of policies have been defined and implemented to guarantee the following aspects:

- Security of access to both data and applications and adequate segregation of duties. A series of measures have been defined at different levels to guarantee confidentiality and prevent unauthorised access. In addition, access to the information systems is defined on the basis of roles and profiles that determine the functionalities to which a user must have access.
- Control over changes to applications. A change management methodology has been developed and implemented based on best practices, which establishes the necessary precautions and validations to limit the risk in this process.
- The correct operation of the applications.
- Data availability and application continuity. Most of the systems that operate the financial information processes have HA (High Availability) or a BRS (Disaster Recovery System) and in all cases have both system and data backups (daily, weekly and monthly) that ensure their availability in the event of incidents..
- Proper regulatory compliance (RGPD).



**F.3.3. Internal control policies and procedures for supervising the management of activities subcontracted to third parties, and those assessment, calculation or valuation questions entrusted to independent experts, which could have a material impact on the financial statements.**

Naturgy has developed a control framework for subcontracted activities, the most relevant being the "Global Outsourcing Policy" and the "Global Supplier Quality Policy".

These establish the general principles that must be applied to all procurement of goods and services, guaranteeing a homogeneous, efficient and sustainable model for the management of the procurement process in Naturgy and determining the responsibilities in the procurement process. Likewise, they ensure that the supply chain complies with the principles established in the Supplier Code of Ethics, the Human Rights Policy, the Health and Safety Policy, the Anti-Corruption Policy, as well as internationally recognised principles of good governance.

The business and corporate units supervise and control the quality of their suppliers to determine whether they offer the required levels of quality in the execution of the work. If not, they send proposals for withdrawal of approval/accreditation to suppliers/products/persons as a result of deficiencies in the performance of services or products.

Naturgy uses experts in works that support valuations, judgements or accounting calculations, only when they are registered in the corresponding Professional Associations, or equivalent accreditation, state their independence and are companies of recognised prestige in the market.

For the coverage of legal and reputational risks involved in business relationships with third parties and, in particular, the coverage of crimes associated with the risk of corruption, Naturgy has defined the "Due Diligence Procedure for Counterparties".

**F.4 Information and communication**

**State, duly detailing their main characteristics, whether, at least, the following aspects exist:**

**F.4.1. A specific function responsible for defining accounting policies (area or department of accounting policies), keeping them up to date, and resolving doubts or conflicts arising from their interpretation, keeping fluid communications with the persons responsible for operations in the organisation, as well as a manual of accounting policies which is up to date and communicated with the units through which the entity operates.**

The Administration Unit Corporation is responsible for keeping the accounting policies applicable to the group up to date. In this sense, it is responsible for updating the "Naturgy's Accounting Plan", which includes the accounting criteria, based on the changes in the applicable IFRS-EU regulations, and the Group's Chart of Accounts, as well as the analysis and communication of accounting changes that could have a significant impact on the financial statements and resolve doubts about the accounting treatment of certain transactions.

Once the chart of accounts has been updated, it is disseminated to all the organisation's personnel via Naturgy's regulatory management system .

**F.4.2. Mechanisms for the capture and preparation of financial information with uniform formats, applied and used by all units of the company of the group, used to support the main financial statements and the notes, as well as the information set out in detail on the ICFR.**

Naturgy's economic-financial management model guarantees the uniformity of administrative and accounting processes through the centralisation of transactional processes and the use of SAP, as a homogeneous support system, in most of the companies that form part of the group. Companies which do not use SAP are obliged to follow the criteria set by the group to ensure the uniformity of such processes.

This model is essentially characterised by the following features:

- It is unique for all countries and businesses;
- Incorporating the legal, fiscal, commercial and regulatory requirements of each country;
- Incorporating internal control requirements;
- Being the basis for obtaining information supplied to management personnel and official bodies;
- To be based on a single organisational model and economic-financial IT systems for all countries and businesses;

In the process of preparing the consolidated financial information, the SAP BPC system is used, a tool that allows the information to be uploaded automatically and directly, once the individual accounts have been closed.. Finally, workiva is used to manage and elaborate the information of the notes and breakdowns of of the Financial Report of the group and of the parent company. The use of these two systems allows the standardisation, validation and review of the information.

The preparation of the consolidated financial information is carried out centrally in the Consolidation Unit, which ensures the integration, homogeneity, consistency and rationalisation of Naturgy's consolidated financial statements.

Likewise, Naturgy has local charts of accounts to comply with the accounting, tax, mercantile and regulatory requirements established by the different legislations of the countries in which it is present. These local charts of accounts converge in a group chart of accounts, unified and homogeneous for the purposes of consolidation and reporting of financial information.

In 2020, the Single European Electronic Format (FEUE) was adopted for the preparation of the individual and consolidated Annual Financial Report in accordance with Delegated Regulation 2019/815 of the European Commission of 17 December 2018.

**F.5 Supervision of the functioning of the system**

**Report on, duly detailing their main characteristics, at least:**

**F.5.1. The supervision activities of the ICFR carried out by the Audit and Control Committee and whether the company has an internal audit function which includes the responsibility of supporting the committee in its task of supervising the internal control system, including the ICFR. Information will also be provided on the scope of the assessment of ICFR carried out during the year and on the procedure through which the party responsible for carrying out the assessment notifies its results, if the company has an action plan with details of the possible corrective measures, and if its impact on financial information has been taken into account.**

The Audit and Control Committee has the competencies established by law and those entrusted to it by the Board of Directors in general or in particular. These powers include the following with reference to the ICFR:

- Supervise the process of preparation, presentation and integrity of the financial information relating to the company and, where appropriate, the group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- Supervise the effectiveness of the company's internal control, internal audit and risk management systems, including tax risks.
- Report to the general meeting of shareholders on any issues that may arise in relation to those matters that fall within the competence of the committee.
  
- Establish the appropriate relations with the external auditor to receive information on those issues that may jeopardise its independence, for examination by the committee, and any others related to the process of auditing the accounts.
- To issue annually, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditor.
- To ensure the independence of the unit that undertakes the internal audit function.

In order to fulfil its duties, the Audit and Control Committee relies on the information and documentation provided by the Internal Audit Units, the Consolidation and Accounting Planning Unit the Financial Markets Unit, the Business Administration and Operational Monitoring units and the External Auditor.

The Internal Audit function has been established in Naturgy as an independent and objective assessment activity, for this reason the Internal Audit Unit, in turn, reports to the Audit and Control Committee of NATURGY ENERGY GROUP S.A.

In accordance with the Group's policies, the Internal Control over Financial Reporting System (ICFR) of Naturgy is expected to be fully supervised by Internal Audit on a multiannual horizon

The risk assessment methodology is aligned with the best corporate governance practices and based on the conceptual framework of the COSO Report (Committee of Sponsoring Organizations of the Treadway Commission), taking as a starting point the typology of risks defined in the company's Risk Map.

With reference to the Internal Control over Financial Reporting System (ICFR), the Internal Audit unit is responsible for

- Supervise the general model of the Internal Control System for Financial Information and the effectiveness of the associated controls, through the execution of the Annual Audit Plan over a multi-year horizon.

- Supervise the certification process carried out by those responsible for the ICFR controls.

- Depending on the scope defined, inform the Audit and Control Committee of the results and weaknesses detected in the ICFR, presenting the main aspects detected in the internal audits of the ICFR and their monitoring, related to the general model and the controls over the ICFR processes.

**F.5.2. If the company has a discussion procedure through which the accounts auditor (as established in the TAS), the internal audit function and other experts can inform the company senior management and the Audit and Control Committee or administrators of significant weaknesses in internal control identified during the annual accounts review processes or others which might have been entrusted to them. The company shall also state whether it has an action plan to try to correct or mitigate the weaknesses observed.**

As set out in Article 6 of the Board Regulation:

The Audit and Compliance Committee, convened by its chairman, meets when necessary to issue the reports for which it is responsible or when deemed appropriate by its chairman or at the request of two of its members, and at least four times a year. The Committee may invite to its meetings any manager or employee it deems appropriate. The Internal Audit unit reports to the Audit and Control Committee, on a recurring basis, the actions taken to ensure that Naturgy complies with all those policies, standards and process controls established by the group's first level of management.

The external auditor may at any time address both the management team, the Management Committee and the Audit and Control Committee (normally through the Chairman or Secretary of the Committee). The external auditor informs the Audit and Control Committee of any significant internal control weaknesses detected during the course of the audit. In addition, the external auditors report on the main conclusions reached in the internal control review, on the risk assessment and on the action plans.

Finally, the external auditor, in addition to meeting periodically with the Audit and Control Committee, also has the possibility of meeting with the Board of Directors in plenary session prior to the preparation of the annual accounts.

#### **F.6 Other relevant information.**

As described in section F.3.1. in the annual internal ICFR certification process, the responsible business and corporate units (control owners) ensure that the controls identified for the mitigation of financial reporting risks are implemented and that they are valid and sufficient. In addition, they report any weaknesses detected, the plans defined to remedy them and any changes in their processes in order to assess whether these require the development of new controls or the modification of existing ones.

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

During the 2023 financial year, as a result of the annual internal certification, changes have been identified in a limited number of processes, highlighting that these changes have not entailed the modification of the control activities previously identified, and therefore the risks associated with the preparation and reporting of financial information in the critical processes affected are considered to be covered. The main magnitudes of this process relating to ongoing activities were as follows:

	<b>Spain</b>	<b>International</b>	<b>Total</b>
<b>Business and corporate units</b>	205	155	360
<b>Processes identified</b>	48	160	208
<b>Controls certified</b>	848	799	1647

In addition, 15 weakness remediation plans have been identified, of which one is for general group control activities and 12 are remediation plans Spain. During 2023, 43% of the remediation plans identified in 2022 have been resolved, 3 new plans emerging in 2023. In any case, the sub-processes affected by these remediation plans do not significantly affect the quality of the financial information..

**F.7 Report of the external auditor**

**State:**

**F.7.1. If the ICFR information submitted to the markets has been reviewed by the External Auditor, in which case the company will have to include the corresponding report as an annex. Otherwise, it will have to explain why.**

Naturgy has considered it appropriate to request the External Auditor to issue a report on the information relating to the Internal Control over Financial Reporting System (ICFR).

## **G DECREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS**

**State the degree of compliance of the Company in respect of the recommendations regarding the Good Governance Code of Listed Companies.**

**If any recommendations are not followed or are followed partially, it will be necessary to include a detailed explanation of the reasons why so that the shareholders, investors and the market in general, have sufficient information to be able to assess the company's actions. General explanations are not acceptable.**

1. The Articles of Association of listed companies should not limit the maximum number of votes that can be issued by the same shareholder or contain other restrictions that prevent the company from being taken over through the purchase of its shares on the market.

Compliant  Explain

2. When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:

- a. The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.
- b. The mechanisms established to resolve any conflicts of interest that may arise.

Compliant  Partially compliant  Explain  Not applicable

3. During the annual general meeting the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a. Changes taking place since the previous annual general meeting.
- b. The specific reasons for the Company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant  Partially compliant  Explain

4. The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Compliant  Partially compliant  Explain

5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription to rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

**Compliant**  **Partially compliant**  **Explain**

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the ordinary general meeting, even if their distribution is not obligatory:
- Report on auditor independence.
  - Reports on the operation of the Audit and Control Committee and the Appointments and Remuneration Committee.
  - Audit Committee report on related party transactions.
  - Report on corporate social responsibility policy.

**Compliant**  **Partially compliant**  **Explain**

7. The company should broadcast its general meetings on the corporate website. The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

**Compliant**  **Partially compliant**  **Explain**

8. The Audit and Control Committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the Audit and Control Committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

**Compliant**  **Partially compliant**  **Explain**

9. The Company should disclose its conditions and procedures for admitting share ownerships, the right to attend the General Meeting of Shareholders and the exercise or delegation of voting rights, and display the permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

**Compliant**  **Partially compliant**  **Explain**

10. When an accredited shareholder exercises the right to supplement the Agenda or submit new proposals prior to the General Meeting of Shareholders, the company should:

- a. Immediately circulate the supplementary items and new proposals.
- b. Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that the new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c. Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of the votes.
- d. After the General Meeting of Shareholders, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant  Partially compliant  Explain  Not applicable

11. In the event that the company plans to pay for attendance at the General Meeting of Shareholders, it should establish a general, long-term policy in this respect.

Compliant  Partially compliant  Explain  Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all Shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the board community and the natural environment.

Compliant  Partially compliant  Explain

13. The Board of Directors should be an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five (5) and fifteen (15) members.

Compliant  Partially compliant  Explain

14. The board of directors should approve a policy aimed at promoting an appropriate composition of the board that:

- a. Is concrete and verifiable.
- b. Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.
- c. Favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.



The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The Appointments Committee should run an annual check on compliance with this Policy and set out its findings in annual corporate governance report.

Compliant  Partially compliant  Explain

**15. Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Compliant  Partially compliant  Explain

The number of executive directors is 1 and is therefore the minimum required.

Finally, as regards the number of female directors, the policy for the selection of directors ensures that the selection procedures do not suffer from implicit biases that could imply any discrimination, within the framework of full respect for the right to proportional representation of shareholders recognised by law. The policy for the selection of Directors is aimed at ensuring an adequate diversity in the composition of the Board of Directors, which has resulted in the members of the Board having different and complementary professional profiles and backgrounds, in the conviction that such diversity results in a better functioning of the Board, although the percentage of female directors recommended by the CNMV has not yet been reached.

**16. The percentage of proprietary directors out of all non-executive directors should not be greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

This criterion can be relaxed:

- a. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b. In companies with a plurality of shareholders represented on the Board but not otherwise related.

Compliant  Explain

**17. Independent directors should be at least half of all Board members.**

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least one third (1/3) of the Board places.

Compliant  Explain

The company comfortably complies with recommendation 16 that the percentage of proprietary directors (75%) should not exceed the percentage of shares held by represented shareholders (81.9%).

It even complies with the requirement that independent directors (25%) should account for a higher percentage on the board than shareholders who are not represented on the board (17.2%).

However, there are 4 shareholders in the company who have exercised their legal right to proportional representation, so it is impossible to comply with this recommendation 17.

**18. The companies should publish the following information about their directors on their website and keep the said information up-to-date.**

- a. Background and professional experience.
- b. Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c. Statement of the director class to which they belong; in the case of proprietary directors indicating the shareholder they represent or have links with.
- d. Dates of their first appointment as Board member and subsequent re-elections.
- e. Shares held in the company, and any options on the same.

Compliant  Partially compliant  Explain

**19. The annual corporate governance report, with prior verification by the Appointments Committee is to provide an explanation for the reasons proprietary directors were appointed at the behest of shareholders whose stake in the company is less than 3% of share capital, and reasons given for the rejections of formal requests for board representation from shareholders who have successfully requested the appointment of proprietary directors.**

Compliant  Partially compliant  Explain  Not applicable

**20. Proprietary directors are to submit their resignation when the shareholder whom they represent fully disposes of their stake. They should also present their resignation, in the corresponding number, when the said shareholder lowers his/hers shares in the company to a level that requires a reduction in the number of his/her proprietary directors.**

Compliant  Partially compliant  Explain  Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a report from the Appointments Committee. In particular, it shall be understood that there is just cause when the director takes on new offices or assumes new obligations that prevent them from devoting the time necessary to perform the duties of the office of director, breaches the duties inherent to their position or is affected by one of the circumstances that cause them to lose their independent status in accordance with the provisions of applicable law.

The removal of independent directors may also be proposed as a consequence of offers for the takeover, merger or similar corporate actions affecting the company that may involve a change in the company's capital structure, whenever such changes in the Board of Directors arise under application of the proportionality criterion pointed out in Recommendation 16.

Compliant

Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Compliant  Partially compliant  Explain

23. All directors are to clearly express their opposition when they consider that any proposal subject to the decision of the Board of Directors may be detrimental to corporate interests. The independent directors and other directors who are not affected by the potential conflict of interest are to voice their opposition in a special manner whenever such decisions may be of detriment to shareholders not represented on the Board of Directors.

When the Board makes material or reiterated decisions about which director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant  Partially compliant  Explain  Not applicable

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Compliant  Partially compliant  Explain  Not applicable

25. The Appointments Committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors regulations should lay down the maximum number of company Boards on which Directors can serve.

Compliant  Partially compliant  Explain

Given the high level of participation and attendance of directors at meetings of the governing bodies (99%), the company has had no need to establish rules on the number of boards on which directors may sit.

26. The Board should meet with the necessary frequency to properly perform its functions, eight (8) times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each Director may propose the addition of initially unscheduled items.

Compliant  Partially compliant  Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, Directors should delegate their powers of presentation with the appropriate instructions.

Compliant  Partially compliant  Explain

28. When directors or the secretary express concerns about a proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board meeting, they should, at the request of the person expressing them, be recorded in the minutes..

Compliant  Partially compliant  Explain  Not applicable

29. The Company should provide suitable channels for Directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

**Compliant**  **Partially compliant**  **Explain**

30. Regardless of the knowledge Directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

**Compliant**  **Explain**  **Not applicable**

31. The Agendas of the Board Meetings should clearly indicate on which items Directors must arrive at a decision, so that they can study the matter beforehand or gather together the material they need for its resolution.

For reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the Agenda. In such exceptional circumstances, their inclusion will require express prior consent, duly recorded in the Minutes, from the majority of the Directors in attendance.

**Compliant**  **Partially compliant**  **Explain**

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its Group.

**Compliant**  **Partially compliant**  **Explain**

33. The Chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by Law and the Company's Articles of Association, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular assessments of the Board and, where appropriate, the Company's Chief Executive Officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each Directors, when circumstances so advise.

**Compliant**  **Partially compliant**  **Explain**

34. When a coordinating independent Director has been appointed, the Articles of Association or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the Chairman or Deputy Chairmen, give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those that have to do with the company's corporate governance; and coordinate the Chairman's succession plan.

**Compliant**  **Partially compliant**  **Explain**  **Not applicable**

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

The Lead Director is attributed all the recommended functions (chairing the Board of Directors in the absence of the Chairman, echoing the concerns of the non-executive directors, coordinating the Chairman's succession plan, etc.) except that of investor relations.

Naturgy's Board pays special attention to investor relations issues, as reflected, among others, in art. 4 of its Regulations. In this line, the Company, within the framework of the new Strategic Plan, has made the alignment of interests between executives and shareholders a substantial axis of its actions. The Board has therefore decided to assign this function to the executive chairman, and within the Financial Markets Division, which reports directly to him, a specific Investor Relations unit has been created.

- 35. The Board Secretary should strive to ensure that the Board's actions and decisions take into account the good governance recommendations contained in the Good Governance Code of relevance to the Company.**

**Compliant**  **Explain**

- 36. The Board in a plenary session should assess once a year, adopting, where necessary, an Action Plan to correct deficiencies identified in:**

**The quality and efficiency of the Board's operation.**

**The performance and composition of its Committees.**

**The diversity of the composition and competence of the Board of Directors**

**e) The performance of the Chairman of the Board of Directors and the Company's Chief Executive.**

**f) The performance and contribution of each Director, with particular attention to the Chairmen of Board Committees.**

**The assessment of Board Committees should start from the reports they submit to the Board of Directors, while that of the Board itself should start from the report of the Appointments Committee.**

**Every three (3) years, the Board of Directors should engage an External Advisor to assist in the assessment process, whose independence should be verified by the Appointments Committee.**

**Any business relationships that the Consultant or any other company of its group maintains with the company or any company of its group must be detailed in the annual corporate governance report.**

**The process followed and areas assessed should be detailed in the annual corporate governance report.**

**Compliant**  **Partially compliant**  **Explain**  **Not applicable**

- 37. When there is an executive committee, there should be at least two nonexecutive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.**

**Compliant**  **Partially compliant**  **Explain**  **Not applicable**

38. The Board is kept informed at all times of the business addressed and resolutions made by the Executive Committee and that all Members of the Board receive a copy of the Minutes of the Executive Committee meetings.

Compliant  Partially compliant  Explain  Not applicable

39. All members of the Audit and Control Committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

Compliant  Partially compliant  Explain

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the Audit and Control Committee, to assure the correct functioning of the reporting and internal control systems. This unit should report functionally to the non-executive Chairman of the Audit and Control Committee.

Compliant  Partially compliant  Explain

The company considers it more appropriate that the functional dependence should be on the Audit and Control Committee as a whole and not on its Chairman, as the functions that make up this dependence apply to the Committee as a whole and not only to the Chairman.

It reports to the General Secretary for administrative and management purposes only.

41. The head of the unit handling the internal audit function should present an annual work programme to the Audit and Control Committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Compliant  Partially compliant  Explain  Not applicable

42. The Audit and Control Committee have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice

**2. With regard to the External Auditor:**

a) In the event of resignation of the External Auditor, the Committee should investigate the issues giving rise to the resignation.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the External Auditor has a yearly meeting with the Board in plenary session to inform them of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

**Compliant  Partially compliant  Explain**

**43. The Audit and Control Committee may call any of the Company's employees or managers, and also have them appear without the presence of any other executive.**

**Compliant  Partially compliant  Explain**

**44. The Audit and Control Committee should be informed on any structural or corporate operations that the Company is planning, so the Committee can analyse the same and report to the Board beforehand on its economic conditions and accounting impact, and, when applicable the exchange rate ratio proposed.**

**Compliant  Partially compliant  Explain  Not applicable**

**45. The risk control and management policies should identify at least:**



- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.
- c) The level of risk that the company considers acceptable.
- d) The measures in place to mitigate the impact of identified risk events should they occur.
- e) The internal control and reporting systems to be used to control and manage the above risks, including the contingent liabilities and off-balance sheet risks.

Compliant  Partially compliant  Explain

46. That, under the direct supervision of the Audit and Control Committee or, as the case may be, of a specialised Committee of the Board of Directors, there is an internal function of control and risk management exercised by a unit or internal department of the company that has been assigned expressly the following functions:

- a) Ensure the proper functioning of the risk management and control systems and, in particular, that all important risks affecting the Company are identified, managed and quantified adequately.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board of Directors.

Compliant  Partially compliant  Explain

47. Members of the Appointments and Remuneration Committee - or of the Appointments Committee and Remuneration Committee, if separately constituted - should have the right mix of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be Independent Directors.

Compliant  Partially compliant  Explain

48. Large cap companies should operate separately constituted Appointments Committees and Remuneration Committees.

Compliant  Not applicable  Explain

The Company considers that, at least in its case, it is neither necessary nor efficient to separate the powers of the Appointments and Remuneration Committee into two committees, one for Appointments and the other for Remuneration. The existence of a single committee in no way prejudices or limits the exercise of the powers granted by law to the Appointments and Remuneration Committee, which also allows the Company to optimise costs insofar as it avoids the accrual of additional remuneration to the directors called upon to form part of the two split committees. The Company considers that such a split could be counterproductive, as the presence of a significant number of independent directors on the Board Committees is relevant for the Company. Given the restrictions imposed by current legislation on the number of independent directors in application of the principle of proportional representation, the number of independent directors on the Board of Directors is currently 3. In order to have a significant number of independent directors on the two split committees, in addition to the Audit and Control Committee (where they must be a majority by law) and the Sustainability Committee, it would be necessary to impose on these directors an overload of work derived from a new committee.

**49. The Appointments Committee should consult with the Chairman of the Board of Directors and Chief Executive Officer, especially on matters relating to Executive Directors.**

**When there are vacancies on the Board, any Director may approach the Appointments Committee to propose candidates they consider suitable.**

**Compliant  Partially compliant  Explain**

**50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by Law:**

- a. **Propose to the Board of Directors the standard conditions for Senior Executive contracts.**
- b. **Monitor compliance with the remuneration policy set by the Company.**
- c. **Periodically review the remuneration policy for Directors and Senior Executives, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and Senior Executives to the Company.**
- d. **Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- e. **Verify the information on remuneration of Directors and Senior Executives contained in the various corporate documents, including the Annual Report on Directors' Remuneration.**

**Compliant  Partially compliant  Explain**

**51. The Remuneration Committee should consult with the Chairman of the Board of Directors and Chief Executive Officer, especially on matters relating to Executive Directors.**

**Compliant  Partially compliant  Explain**

52. The terms of reference of supervision and control should be set out in the Board of Director's regulations and aligned with those governing legally mandatory Board Committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a. Committees should be formed exclusively by non-executive Directors, with a majority of Independent Directors.
- b. Committees should be chaired by an Independent Director.
- c. The Board should appoint the members of such committees with regard to the knowledge, skills and experience of its Directors and each Committee's terms of reference; discuss their proposals and reports; and provide report backs on their activities and work at the first board plenary following each committee meeting.
- d. They may engage external advice, when they feel it necessary for the discharge of their functions.
- e. Meeting proceedings should be recorded/notified in the Minutes and a copy made available to all Board Members.

Compliant  Partially compliant  Explain  Not applicable

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the Audit and Control Committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of selforganisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Compliant  Partially compliant  Explain

The shareholding structure of the Company, the significant reduction of the free float, and the exercise by significant shareholders of their right to proportional representation, has led to a reduction in the number of independent directors from 5 to 3 and has made it necessary to reconfigure the composition of the specialised committees.

All the committees are chaired by an independent director, although, unless legally obliged to do so, there is no majority presence of independent directors so as not to overburden them by having them sit on more than two committees at the same time.

54. The minimum functions referred to in the previous recommendation are as follows:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.
- b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

- c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.
- e) Monitor and evaluate the company's interaction with its stakeholder groups.

Compliant  Partially compliant  Explain

55. Environmental and social sustainability policies should identify and include at least.

- a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.
- b) The methods or systems for monitoring compliance with policies, associated risks and their management.
- c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.
- d) Channels for stakeholder communication, participation and dialogue.
- e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant  Partially compliant  Explain

56. Directors' remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant  Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate their contribution to long-term value creation. This will ensure that the performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant  Partially compliant  Explain  Not applicable

In setting the variable remuneration, the Board has considered it appropriate to combine variable remunerations with different time horizons and metrics: on the one hand, annual variable remuneration whose metrics, linked to operational objectives, respond to a classic incentive model, which fits with the limits and precaution set out in this recommendation. On the other hand, remuneration with a long-term horizon has been introduced (it expires in July 2023), which has now been aligned with the return the shareholder would receive, and therefore does not tally exactly with the more traditional models of remuneration. The Board considers that, in the long term, the best and simplest metric of the performance of the Executive Chairman is the one referring to dividends distributed and changes to the share price.

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Compliant  Partially compliant  Explain  Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Compliant  Partially compliant  Explain  Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant  Partially compliant  Explain  Not applicable

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

Compliant  Partially compliant  Explain  Not applicable

The long-term incentive applicable to the Executive Chairman and other relevant executives of the Company brings into line the interest of the executives with those of the shareholders through a mechanism that contemplates a deferral in the payment of the incentive more than five (5) years after its approval. Accordingly, it is unnecessary to introduce an additional period of limitation to the transfer of shares when the plan expires and the shares are handed over.

63. Contractual arrangements should include provision that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant  Partially compliant  Explain  Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Compliant  Partially compliant  Explain  Not applicable

**Naturgy Energy Group, S.A. and subsidiaries  
2023**

The severance payment respects the above-mentioned recommendation of two annual payments on the total annual remuneration (total fixed remuneration, annual variable remuneration and multi-year variable remuneration in the terms detailed in the annual remuneration report).

On the other hand, the executive chairman would additionally be entitled to non-competition compensation, which is of a different legal nature from the contract termination payment, as it is a consideration for the post-contractual non-competition pact that he assumes. The amount of this compensation is one year of the total fixed remuneration.

## H. OTHER INFORMATION OF INTEREST

1. If there is any other relevant aspect in corporate governance in the company or in the group companies which has not been included in the rest of the sections of this report, but which it was necessary to include to show more complete and reasoned information on the governance structure and practices in the company or its group, briefly indicate them here.
2. In this section, you may include any information or clarification with regard to the previous sections of this report to the extent that they are relevant and non-repetitive.

More specifically, indicate whether your company is subject to any corporate governance legislation other than Spanish law, and if so, include any information that is mandatory and different from that requested herein.

3. The Company will also be able to indicate if it has voluntarily subscribed to other codes of ethical principles or good practices, at international or sector level, or in any other field. In that case, indicate the code in question and the date it was subscribed to. In particular, mention whether there has been adherence to the Code of Good Tax Practices of 20 July 2010.

The Board of Directors, at its meeting held on 17 September 2010, agreed on NATURGY's adherence to the Code of Good Tax Practices. In accordance with the provisions of the aforementioned Code, it is expressly stated that Naturgy has effectively complied with the contents thereof and, in particular, that at the meeting held on 14 February 2023, the Board was informed, through the Audit and Control Committee, of the tax situation and policies followed by the Group during the 2022 financial year.

Likewise, the Board of Directors, at its meeting of 29 January 2019 and with the favourable report of the Audit Committee, approved the Tax Strategy and Tax Risk Control and Management Policy, which regulates the basic principles that should guide NATURGY's tax function, as well as the main lines of action to mitigate and guide the correct control of tax risks.

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on 26 February 2024.

**Please indicate whether any Directors have voted against or abstained from the approval of this report.**

Yes  No

Name and Company Name of the Members of the Board that have voted against approving this report.	Reasons (against, abstention, non-attendance)	Explain the reasons
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# Naturgy Energy Group, S.A.

Auditor's Report on the "Internal Control over  
Financial Reporting (ICOFR) Information" of Naturgy  
Energy Group, S.A. for 2023

*(Translation from the original in Spanish. In the event  
of discrepancy, the Spanish-language version  
prevails.)*



KPMG Auditores, S.L.  
Paseo de la Castellana, 259C  
28046 Madrid

## **Auditor's Report on the "Internal Control over Financial Reporting (ICOFR) Information" of Naturgy Energy Group, S.A. for 2023**

*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

To the Directors of Naturgy Energy Group, S.A.

As requested by the Board of Directors of Naturgy Energy Group, S.A. (the "Company") and in accordance with our proposal letter dated 1 October 2023, we have applied certain procedures to the "ICOFR disclosures" attached in the Directors' Report of Naturgy Energy Group, S.A. for 2023, which summarises the Entity's internal control procedures for annual financial reporting.

The Board of Directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and oversight of an adequate system of internal control, the development of improvements to that system and the preparation and definition of the content of the ICOFR information attached hereto.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Entity in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Entity's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the effectiveness of this internal control over regulated annual financial reporting.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Guidelines for preparing the auditor's report on the information on the system of internal control over financial reporting of listed companies*, published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, nor on its design or operating effectiveness, with respect to the Entity's annual financial reporting for 2023 described in the ICOFR information attached hereto. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to current legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company regarding ICOFR and an evaluation of whether this information meets all the minimum reporting requirements, taking into account the minimum content described in section F, on the description of ICOFR, of the ACGR template provided in CNMV Circular 5/2013 of 12 June 2013, subsequently amended by CNMV Circular 7/2015 of 22 December 2015, CNMV Circular 2/2018 of 12 June 2018, CNMV Circular 1/2020 of 6 October 2020 and CNMV Circular 3/2021 of 28 September 2021.
2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the entity.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, primarily including documents made directly available to those responsible for preparing the description of the ICOFR system. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the Audit and Control Committee.
4. Comparison of the information detailed in point 1 above with the understanding of the entity's ICOFR obtained as a result of the procedures performed within the framework of the audit work on the annual accounts for the year ended 31 December 2023.
5. Reading of the minutes taken at meetings of the board of directors, Audit and Control Committee and other committees of the entity for the purpose of assessing the consistency of the matters discussed at those meetings in relation to ICOFR with the information detailed in point 1 above.
6. Procurement of a representation letter concerning the work performed, duly signed by those responsible for preparing and authorising the information detailed in point 1 above.



*(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)*

As a result of the procedures applied to the ICOFR information, no inconsistencies or incidents have been detected that could affect it.

This report has been prepared exclusively within the context of the requirements laid down in article 540 of the Revised Spanish Companies Act and in the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

*(Signed on original in Spanish)*

Eduardo González Fernández

27 February 2024

**ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES**

IDENTIFICATION OF ISSUER

FINANCIAL YEAR REFERENCE DATE	31/12/2023
CIF	A-08015497

Registered Name:  
NATURGY ENERGY GROUP, S.A.

Registered Office:  
Avenida de América nº 38 – 28028 MADRID

## A. COMPANY REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

**A.1.1 - Explain the Remuneration Policy for Directors in force applicable to the current financial year. Insofar as it is relevant, certain information referring to the Remuneration Policy approved by the General Meeting for Shareholders may be included, as long as the same is clear, specific and concise.**

**The decisions specific to the current financial year should be described, including the remuneration of the Directors for their capacity as such as well as for exercising executive functions, that the Board may have carried out in accordance with that set forth in the contracts signed with the Executive Directors and with the Remuneration Policy approved by the General Meeting of Shareholders**

**In any case, information should be given on the following aspects, at the very least:**

- a. Description of the procedures and bodies of the Company involved in the determination and approval of the Remuneration Policy and its terms and conditions.**
- b. Indicate and, as the case may be, explain if comparable companies have been examined to establish the Company's Remuneration Policy.**
- c. Information on whether any External Consultant has participated and, as the case may be, the identity of the same.**
- d. Procedures under the existing directors' remuneration policy for applying temporary exceptions to the policy, the conditions under which such exceptions may be used and the components that may be subject to exception under the policy.**

Article 9 of Naturgy's Articles of Association establishes that the remuneration policy for directors shall be approved by the General Shareholders' Meeting in the manner and within the periods established by the regulations in force.

The current Remuneration Policy was approved at the Ordinary General Meeting held on 15 March 2022, applicable from the date of its approval and for the following three financial years.

Prior to its approval, the Appointments, Remuneration and Corporate Governance Committee analysed the new legislation introduced by Law 5/2021, of 12 April, amending the revised text of the Capital Companies Act and other circumstances arising since the previous review of the Policy in March 2021, drawing up a new Remuneration Policy proposal supported by a specific report which was submitted for consideration by the Board of Directors, who proposed its approval to the General Meeting of Shareholders.

The Policy sets out a remuneration scheme for directors for both executive and non-executive functions in which (a) it takes account of the 2021-2025 Strategic Plan, which translates especially into the adaptation of the multi-year variable remuneration scheme for the Executive Director initially authorised by the 2019 General Shareholders' Meeting and (b) it incorporates all those references necessary to comply with the wording of art. 529 novodecies of the Capital Companies Act, regarding i) their contribution to the business strategy and to the long-term interests and sustainability of the company, ii) the express reference to the relative proportion of the different components of the remuneration, iii) the explanation of how the remuneration and employment conditions of the company's employees have been taken into account when setting the remuneration policy and iv) the explanation of the decision-making process followed for its determination.

The Directors' Remuneration Policy is reviewed periodically by the Board of Directors following a report from the Nomination, Remuneration and Corporate Governance Committee, in order to keep it in line with best practices in the relevant market and with the objectives set out in the Articles of Association.

In accordance with the current Policy, remuneration for non-executive functions consists of a fixed allowance and may also include remuneration in shares or by reference to shares. The distribution of such remuneration, within the limit established from time to time in the Remuneration Policy, shall be made by the Board of Directors, and the remuneration may be different depending on the Committee or Committees to which each Director belongs and the dedication and responsibility required in each of the positions. It may also be different depending on the responsibility and functions that each Director assumes on the Board or on the Committees.

The Executive Chairman's remuneration for the performance of specifically executive or delegated functions consists of the following items:

- i) Fixed annual remuneration. This includes any remuneration received for membership of any governing body of a Naturgy group company, except the parent company.
- ii) Annual variable remuneration: this is based on 100% of the total annual fixed monetary remuneration and shall be adjusted according to the degree of achievement of objectives. Its receipt in cash may be replaced each year by mutual agreement, in whole or in part, by a contribution to a social welfare system.
- iii) Multi-year variable remuneration or Long-Term Incentive Programme (LTIP); linked to the profitability obtained by shareholders in the reference period, which substantially coincides with that of the 2021-2025 Strategic Plan.
- iv) Other social benefits such as medical insurance, company car, housing assistance, life and disability insurance, limited gas and electricity rebates and group savings insurance.
- v) In addition to the above, the Board of Directors may establish other variable remuneration in the case of singular operations, both with objectives linked to their achievement and in terms of remuneration for achievements.

The remuneration for executive and non-executive functions for 2024 was approved by the Board at its meeting of 26 February 2024. The targets for the annual variable remuneration of the executive Chairman were also set at the aforementioned meeting.

The Appointment, Remuneration and Corporate Governance Committee has used the consultant PeopleMatters to benchmark the remuneration of other entities and to determine the remuneration of the management team and thus of the Executive Chairman.

Article 10 of the current Remuneration Policy contemplates the possibility that the Board of Directors may approve and apply temporary exceptions to the policy, following a reasoned proposal by the Nomination, Remuneration and Corporate Governance Committee, which may be total or partial, although:

- i) The maximum annual amount to be received by all the Directors in a financial year, as set out in Section 4 of the aforementioned Policy, may not be waived.
- ii) Exceptions shall only be in force from the time they are agreed by the Board of Directors until the next Shareholders' Meeting is held, at which the continuation of the exception must be submitted for approval.

During the financial year 2024, the Board of Directors has not approved the application of any temporary exception.

**A.1.2 - Relative importance of the variable remuneration items in relation to fixed remuneration items (remuneration mix) and what criteria and objectives are followed to determine the different components of the Directors remuneration package and for guaranteeing an appropriate balance between the fixed and variable components of the remuneration. In particular, explain the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the Company, which will include, where appropriate, reference to measures designed to ensure that the Remuneration Policy considers the long-term results of the Company, measures adopted for those categories of personnel whose professional activities have a material effect on the Company's risk profile and measures adopted to avoid conflicts of interest.**

**Likewise, indicate whether the Company has established a period for the accrual or consolidation of certain variable remuneration concepts, in cash, shares or other financial instruments, a period of deferral in the payment of amounts or delivery of financial instruments already accrued and consolidated, or whether any clause has been agreed upon to reduce deferred remuneration that has not yet been consolidated or that obliges the director to return the remuneration received, when such remuneration has been based on data whose inaccuracy has subsequently been clearly demonstrated.**

The remuneration of the executive Chairman, the only director receiving variable remuneration, is balanced into 3 main components designed with a similar weighting:

- A fixed component that accrues in any event, so that it does not involve any exposure to risk.
- A variable component with a time horizon of one year, linked to pre-set, specific and quantifiable objectives, aligned with the social interest and with Naturgy's strategy, such as economic-financial variables, efficiency and profitable growth, quality and safety issues, sustainability, environment or good governance which, as it is recurrent, prevents it from encouraging the assumption of excessive risks. This is reinforced by the fact that it is assessed after the annual accounts have been audited and prepared and by the existence of a claw back clause during the 18 months following receipt of the annual variable remuneration.
- A variable component with a very long-term time horizon linked to the Company's Strategic Plan. Exceeding the norm for this type of remuneration, it moderates risk-taking and offers longer-term value creation than usual. This remuneration component is linked to a minimum profitability threshold below which no surplus will be distributed, even if any, and to a claw back clause during the 18 months following receipt of the plan.

There is a reasonable balance between the variable components not only in terms of time horizon, but also in terms of amount and even objectives, as the annual variable remuneration tends towards operational objectives that consider the immediate interest of the Company, while the multi-year variable remuneration mainly serves the long-term interest of the shareholders, in line with the requirement of the Articles of Association.

The annual variable remuneration is only determined and paid once the Board of Directors has the audited accounts of the company and therefore any qualifications in the report of the external auditor of the Company that reduce these results will be taken into account. The Board of Directors is free to disregard such qualifications if it disagrees with them.

Furthermore, as indicated above, both the annual variable remuneration and the multi-annual variable remuneration are subject to a claw-back system during the 18 months following receipt of the remuneration.

Regarding the measures envisaged to avoid conflicts of interest:

- i) Article 11 of the Regulations of the Board of Directors and its Committees establishes that all members of the Board of Directors of Naturgy, including the Executive Chairman, are subject to the duty of loyalty and, in particular, must:
  - a) Refrain from participating in the deliberation and voting of resolutions or decisions in which he or a related person has a direct or indirect conflict of interest. The above obligation to abstain shall not apply to resolutions or decisions that affect him as a director, such as his appointment or removal from office on the administrative body or others of similar significance.



b) Adopt the necessary measures to avoid incurring in situations in which their interests, whether their own or those of others, may conflict with the corporate interest and with their duties to the Company.

ii) Naturgy's Directors' Remuneration Policy, approved on 15 March 2022 by the General Shareholders' Meeting, includes as a preventive measure of possible conflicts of interest, that the Executive Chairman does not participate in the debates of the Appointments, Remuneration and Corporate Governance Committee when dealing with aspects that may affect him regarding remuneration.

iii) Section 4.1 of Naturgy's Code of Ethics establishes specific guidelines for action by employees, executives and directors of the Group with regard to "Loyalty to the company and conflicts of interest".

### **A-1-3 Amount and nature of the fixed components that are due to be paid in the financial year to Directors in their capacity as such.**

The remuneration of the Directors for the exercise of non-executive functions consists of a fixed annual allowance.

The amount of the remuneration for the year 2024 of the Directors for their status as such (non-executive functions) approved by the Board of Directors at its meeting of 26 February 2024, following a report from the Nomination, Remuneration and Corporate Governance Committee is:

- a. For membership of the Board
  - Chairman of the Board of Directors: €1,100,000/year
  - Director: 175,000 €/year.
  - Coordinating Director: 30,000 €/year.
  
- b. For membership of Committees
  - Committee Chairman: 66,000 €/year.
  - Member of the Committee: 44,000 €/year.

### **A.1.4 Amount and nature of the fixed components that are to be paid in the financial year for exercising Senior Management functions by the Executive Directors..**

At the Board meeting of 26 February 2024, the fixed component of the Executive Chairman's remuneration was set at € 2.288.709€ (total fixed annual remuneration), including the remuneration he receives for his membership of the governing body of NATURGY ENERGY GROUP S.A. This amount is therefore the sum of €1,100,000 that he receives as Chairman of the Board of Directors for the performance of non-executive duties, and 1.188.709 € that he receives as fixed annual remuneration for the exercise of executive or delegated functions.

### **A-1-5 Amount and nature of any remuneration component paid in cash in the financial year including, but not limited to insurance premiums paid in favour of the Director.**

#### **Explain cash remunerations**

The Executive Chairman is the beneficiary of an insurance policy for situations of temporary disability (100% of the total gross annual fixed monetary remuneration that he has been receiving, with the established limit of 18 months). He is also the beneficiary of an insurance policy to cover the contingencies of death and absolute permanent disability, or severe disability, in which NATURGY ENERGY GROUP S.A. acts as the policyholder, which takes the age of the Executive Chairman and the insured capital as the basis for calculating the amount of the annual premium, with the insurance company establishing and communicating the aforementioned premium. The insured capital in the event of the occurrence of the foreseen contingencies (death, absolute permanent disability or great disability) is equivalent to 3.5 annuities of total gross annual fixed monetary remuneration.

The Company has subscribed and pays the global premium corresponding to a civil liability insurance policy for Directors and Executives of NATURGY ENERGY GROUP S.A. and the companies belonging to its Group which, therefore, also covers all the Directors of NATURGY ENERGY GROUP S.A., both executive and non-executive, in which the directors will be considered insured, for the liabilities that may be demanded of them as a consequence of the performance of the activities inherent to their functions. In particular, the contract with the executive Chairman foresees the obligation for the Company to take out a civil liability insurance policy.

As the civil liability insurance is taken out on a global basis, it is not possible to calculate the part of it attributable to the directors as remuneration in kind.

The executive chairman's remuneration package also includes the following items, similar to those of the other members of senior management: health care, life, permanent disability and savings insurance, company car, housing allowance and limited electricity and gas consumption allowance.

**A-1-6 Amount and nature of the variable components, differentiating between those established at short and long term. Financial and non-financial parameters, including in the latter, social, environmental and climatic change parameters, selected to determine the variable remuneration in the current financial year, explication on the extent to which these parameters correlate with the performance of the Board Members as well as the entity itself and with its risk profile, and the methodology, time required and planned techniques for being able to determine, at the end of the financial year, the effective rate of attainment of the parameters used in the design of the variable remuneration, explaining the criteria and factors it applies in terms of the time required and methods for verifying that the performance or other conditions attached to the accrual and consolidation of each component of variable remuneration have been effectively fulfilled.**

**Indicate the range in monetary terms of the different variable components depending on the rate of attainment of the objectives and parameters established, and if any maximum monetary amount exists in absolute terms.**

#### **Explain the variable components of the remuneration systems**

Directors do not receive this type of remuneration for the performance of non-executive functions.

As for the executive chairman, the variable components of the remuneration system, based on his performance of executive or delegated functions, are as follows:

i. Annual variable remuneration

Based on 100% of the total annual fixed monetary remuneration multiplied by the degree of achievement of objectives effectively reached during the year. It has a maximum degree of achievement of 150%. This remuneration will not be received if the degree of achievement does not reach 80%.

The Executive Chairman may decide to substitute the payment of all or part of the annual variable remuneration for a company contribution to a social welfare system to be agreed upon on an annual basis.

The objectives and weightings are as follows:

**- Financial objectives weighted at 65%.**

- Ordinary Ebitda

**- Qualitative objectives weighted at 15%.**

- Assessment of qualitative factors by the Board (contribution to business growth, transformation, teamwork).

**- ESG weighted at 20%.**

- Health and safety
- Gender diversity
- Environment
- eNPS

ii. Multi-year variable remuneration:

The Executive Chairman's multi-year variable remuneration is configured through a long-term incentive (ILP) in which, in addition to the Executive Chairman, 28 serving executives participate. The long-term incentive was approved by the June 2018 Board and ratified by the AGM held on 5 March 2019 and subsequently revised at the AGM of 15 March 2022 to align it with the new 2021-2025 Strategic Plan approved in July 2021.

Notwithstanding the fact that the details of the incentive are also included in the resolution of the 2019 Shareholders' Meeting and in the resolution of the 2022 Shareholders' Meeting, its characteristics are as follows:

The incentive covers the period of the 2021-2025 strategic plan, ordinarily expiring in December 2025 and is related to the total return obtained by the shareholders of NATURGY ENERGY GROUP, S.A.

It is instrumented through the acquisition of a package of Naturgy shares by a wholly-owned company that may generate a surplus. This surplus, if any, is the incentive to be delivered to the participants.

Only the surplus value generated will be received as a multi-year variable incentive and only if the pre-set minimum return threshold has been exceeded, which implies a share price of €19.15 at the time of maturity of the ILP and assuming that all dividends foreseen in the 2021-2025 strategic plan (and those actually distributed in the 2018-2022 plan) are distributed. This is consistent with the return requirements associated with financial discipline and contained in the strategic plan and is higher than the share price on the day of the CEO's appointment (6 February 2018, €17.69). Therefore, even if the holding company were to have a positive result, if this threshold is not reached, the amount of the ILP would be 0.

The ILP includes a claw back clause during the 18 months following the receipt of the ILP in the event of a relevant modification of the annual accounts that significantly affects the share price.

In addition, and in accordance with the internal regulations governing the ILP, this remuneration mechanism is accompanied by a recommendation for its beneficiaries by virtue of which, at the end of the period of validity, they must have acquired or, as the case may be, must hold a package of Naturgy shares whose value reaches at least half of the gross annual fixed remuneration. The Appointments, Remuneration and Corporate Governance Committee shall annually verify the volume of shares held by each beneficiary.

The Board of Directors, at the reasoned proposal of the Nomination, Remuneration and Corporate Governance Committee, may adopt such decisions as it deems necessary for the administration, interpretation, correction, development or continuity of the incentive scheme in the event of substantial changes in the circumstances of the plan, taking into account the corporate interest of the Company and the objectives of the Plan.

The Board of Directors may adopt such decisions as it deems necessary to keep the multi-year variable remuneration scheme in line with the strategic plan in force at any given time, carrying out such preparatory work as may be necessary before submitting any amendments requiring such approval to the shareholders' meeting for approval.

In the event of leaving the Company before the end of the Plan, the Executive Chairman shall lose his rights in the event of voluntary termination of his duties or serious breach and shall maintain them in the event of retirement, disability, death, or termination not attributable to him, although in the event of maintaining them, he shall only be entitled to the incentive that finally results in the proportional part of his time of permanence with respect to the duration of the Plan. In the case of mutually agreed abandonment, it shall be as agreed.

**A.1.7 Main features of long-term saving schemes. Amongst other information, explain the contingencies covered by the scheme, whether contribution or defined benefit, the contribution per year to be made to defined contribution scheme, the benefit to which the beneficiaries have the right in the case of defined benefit schemes, the terms and conditions of the vested economic rights in favour of the Directors and their compatibility with any type of compensation for resolution or early termination of the contractual relationship between the Company and the Director.**

**State if the payment or consolidation of any of the long-term saving schemes are linked to the attainment of determined objectives or parameters related to the short or long-term performance of the Director..**

#### **Explain the long-term saving systems**

The Executive Chairman, in view of the executive or delegated functions he performs, is granted the same benefits that are currently available to the members of the company's management committee, in the following terms:

Savings Insurance: the Executive Chairman is recognised as being entitled to receive a series of contributions which are instrumented in an insurance contract and which will be governed by the rules established for this purpose. NATURGY ENERGY GROUP S.A. contributes annually to the aforementioned instrument an amount equal to 20% of his total fixed monetary remuneration. The contingencies covered are survival at a specific date, death and total permanent disability, absolute disability or severe disability. The savings insurance is not incompatible with possible compensation in the event of termination of employment. There is no right to receive any amount for any of the contingencies in the event of:

- a. Voluntary resignation without respecting the period of notice provided for in the contract or without reaching prior agreement with the Board of Directors of the Company.
- b. Serious and culpable breach of his professional obligations and which causes significant damage to the interests of the Company.
- c. At any time during the year following the termination of his services as Executive Chairman - for reasons other than the occurrence of the contingencies - he carries out activities directly concurrent with those of the Company.

Welfare system linked to the annual variable remuneration: The Executive Chairman may decide to replace the payment of all or part of the annual variable remuneration on an annual basis with a company contribution to an agreed welfare system. This has been decided for the annual variable remuneration for the financial years 2018 to 2023 (both inclusive).. The contingencies covered are the same as those established for the previous instrument, with the company being able to instrument the coverage of the above contingencies by taking out one or more insurance contracts with a minimum interest rate guarantee and profit-sharing. There is no right to receive any amount for any of the contingencies in the same cases as the previous instrument, with the exception of voluntary resignation without notice or without reaching agreement with the Board of Directors.

**A.1.8 Any type of payment or compensation by resolution or early termination or derived from the termination of the contractual relationship, under the terms of the same between the Company and the Director, whether wilful by the Company or the Director, as well as any type of terms agreed, such as exclusivity, post-contractual non-compete and loyalty covenants, that give the Director rights to any type of payment.**

Directors who do not perform executive functions do not receive this type of indemnity.

In the case of directors who perform executive functions, art. 6 of the Remuneration Policy provides that:

"an indemnity may be established for certain cases of termination of the contractual relationship, which shall be equal to twice the sum of the following three amounts: (i) total annual fixed remuneration, (ii) annual variable remuneration and, (iii) in consideration of the concept of multi-year variable remuneration, a lump sum equivalent to 125% of the annual fixed remuneration; this third concept may be conditioned in part to the achievement of minimum profitability targets for shareholders consistent with those envisaged in the Strategic Plan. This compensation shall not be payable in the event of a very serious and culpable breach of the professional obligations of the executive directors that causes serious damage to the interests of the company.

In addition, and as a post-contractual non-competition agreement for one year, an indemnity equivalent to a maximum of one year's total annual fixed remuneration may be established".

**A.1.9 Indicate the conditions that must be respected in contracts for individuals carrying out Senior Management duties as Executive Directors. Amongst others, specify the duration, limits on compensation amounts, tenure clauses, notice periods, and payment in lieu of the aforementioned notice period, and any other clauses on hiring bonuses, as well as on severance payments or golden parachutes for the early termination of the contractual relationship between the Company and the Executive Director. Include, among others, the non-compete, exclusivity, tenure or loyalty and post-contractual non-compete covenants or agreements (not including those described in the previous section).**

**Explain the terms and conditions of the Executive Director Contract**

The Executive Chairman's contract was approved at the Board of Directors' meeting of 6 February 2018, following a favourable report from the Appointments and Remuneration Committee. It was subsequently adapted on 31 October 2018 in order to include the new ILP long-term incentive scheme as well as other minor adaptations, and again on 30 December 2021 to reflect the amendments resulting from the modification of the ILP as described in section A.1.6 above.

The contract contains a six-month notice period for the executive Chairman, except in the event of force majeure, an exclusivity agreement during the performance of his duties and a confidentiality agreement, both during the term of the contract and after its termination.

The Chairman's contract also establishes a severance payment in the event of termination or non-renewal of the office of Director in the amount of two annual payments of: (i) total annual fixed monetary remuneration, (ii) annual variable remuneration and (iii) in respect of the concept of multi-year variable remuneration, a lump sum equivalent to 1.25 of the total annual fixed monetary remuneration. This concept shall only be multiplied by one annuity if the minimum performance target of the ILP plan has not been reached at the time of accrual; the second annuity may be recovered if the minimum target is finally reached at the end of the plan.

Compensation shall not be payable in the event of a serious and culpable breach of professional obligations that causes significant damage to Naturgy's interests. In addition, and as a post-contractual non-competition agreement for one year, an indemnity equivalent to one year's total fixed remuneration is established.

The executive Chairman's contract provides for the termination of the contract and the payment of an indemnity in the event that he loses his executive functions and continues as non-executive Chairman. In such a case, the compensation provided for is identical to that in the preceding paragraph, but reduced by half, i.e. by a single annual payment.

In the event of loss of the status of Chairman, while remaining as Chief Executive Officer, a reduction of the remuneration provided for in the contract is foreseen.

**A.1.10 The estimated amount and nature of any supplementary remuneration paid to the Directors during the current financial year for services provided other than those inherent to their position.**

**Explain supplementary payments**

Not applicable

**A.1.11 Other remuneration concepts such as for example those derived, as the case may be, from those granted by the Company to the Director in the form of advances, loans and guarantees or other remuneration(s).**

**Explain the advances, loans, guarantees and other remuneration(s)**

None of the members of the Board of Directors has been granted any loans, advances or guarantees.

**A.1.12 The estimated amount and nature of any other additional remuneration planned not included in the preceding paragraphs, whether settled by the Company or another entity of the Group that is paid out to the Directors in the current financial year.**

Not applicable

**A.2 Explain any relevant change to the Remuneration Policy applicable in the current financial year as a result of:**

- **A new policy or modification to a Policy approved by the General Meeting of Shareholders.**
- **Relevant changes to the specific determinations established by the Board for the current financial year of the Remuneration Policy in force with respect to those applied in the previous financial year.**
- **Proposals that the Board of Directors have agreed to submit to the General Meeting of Shareholders and that apply to this Annual Report and that are to be implemented during the current financial year.**

Not applicable

**A.3 Identify the direct link to the document in which the Company's remuneration policy in force is referenced and that must be available at the corporate website.**

[https://www.naturgy.com/accionistas\\_e\\_inversores/gobierno\\_corporativo/organos\\_y\\_normas\\_de\\_gobierno/remuneraciones](https://www.naturgy.com/accionistas_e_inversores/gobierno_corporativo/organos_y_normas_de_gobierno/remuneraciones)

**A.4 Explain, taking into account the data given in section B.4, the result of the General Meeting of Shareholders advisory vote on the Annual Report on the previous year's remuneration.**

The current remuneration policy was approved at the 2022 Annual General Meeting of Shareholders held on 15 March with more than 90% of votes in favour, and the Annual Report on Directors' Remuneration for the financial year 2022 was approved at the 2022 Annual General Meeting of Shareholders by a large majority, as was the case in previous years. As a result, it has not been deemed necessary to implement additional measures with regard to the Company's remuneration policy.

## B. GENERAL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED FOR THE FINANCIAL YEAR ENDED

**B.1.1 Explain the process followed to apply the Remuneration Policy and used to determine the individual remuneration earned shown in section C of this report. This information is to include the role played by the Remuneration Committee, the decisions taken by the Board of Directors and, where appropriate, the identify and role of the External Consultants whose services were used in the process of implementing the Remuneration Policy in the financial year ended**

The Board of Directors approved the individual remuneration of the Directors for the exercise of non-executive functions for the financial year 2023 at its meeting of 14 February 2023, maintaining the fixed remuneration component of €1,100,000 for the Chairmanship of the Board unchanged with respect to 2020, 2021 and 2023, and setting the part corresponding to executive functions at €1,102,800. The 2023 annual variable remuneration targets were set, at the proposal of the Nomination, Remuneration and Corporate Governance Committee, at the Board of Directors' meeting held on 14 February 2023, agreeing to reduce the weight of the financial components in favour of ESG aspects.

The Appointments, Remuneration and Corporate Governance Committee used the consultant PeopleMatters to compare the remuneration of other entities and to determine the remuneration of the Executive Chairman.

The settlement of this short-term variable remuneration for 2023 took place, following a report by the Nomination, Remuneration and Corporate Governance Committee, at the Board of Directors' meeting of 26 February 2024, after the annual accounts for 2023 had been prepared and were unqualified by the external auditor.

**B.1.2 Explain any deviations from the established procedure for the application of the remuneration policy that have occurred during the year.**

**B.1.3 Indicate whether any temporary exceptions to the remuneration policy have been applied and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the company considers that these exceptions have been necessary to serve the long-term interests and sustainability of the company as a whole or to ensure its viability. Also quantify the impact that the application of these exceptions has had on the remuneration of each director during the year.**

**B.2 Explain the actions adopted by the Company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the long-term objectives, values and interests of the Company, which will include, where appropriate, reference to measures designed to ensure that the Remuneration Policy considers the long-term results of the Company and guaranteeing an appropriate balance between the fixed and variable components of the remuneration, what measures have been adopted for those categories of personnel whose professional activities have a material effect on the Company's risk profile and measures adopted to avoid conflicts of interest, as the case may be.**

With regard to remuneration for the exercise of non-executive functions, the establishment of a fixed remuneration for all Directors is considered to be an effective instrument to reduce exposure to excessive risks and the incorporation of long-term vision.

As regards the remuneration of the Executive Chairman, it is noted that it is balanced into 3 main components of similar weighting:



- A fixed component that accrues in any case, so that it does not entail any risk exposure.
- A variable component with a one-year time horizon, linked to specific and measurable business objectives which, being recurrent, avoids encouraging excessive risk-taking. This is reinforced by the fact that it is evaluated after the annual accounts have been audited and drawn up.
- A very long-term variable component aligned with the execution term of the Company's Strategic Plan (it was established in 2018 and originally expired in July 2023, substantially coinciding with that of the 2018-2022 Strategic Plan, but following the approval of the new 2021-2025 Strategic Plan, its ordinary maturity is scheduled for December 2025). By exceeding its duration than usual for this type of remuneration, it moderates risk-taking and offers longer-term value creation than usual.

There is a reasonable balance between the variable components in terms not only of time horizon, but also of amount and even of objectives, as the annual variable remuneration tends towards operational objectives that address the performance of the company's various businesses, while the multi-year variable remuneration mainly addresses the long-term interest of shareholders, which is an element that is often forgotten or postponed in other remuneration schemes.

The annual variable remuneration of the Executive Chairman was determined after the Board of Directors had the audited accounts of the Company and taking into account the external audit report.

In addition, the multi-year variable remuneration has a claw back system for the 18 months following its receipt.

With regard to the measures adopted to avoid conflicts of interest, we refer to section A.1.2. of this report.

**B.3 Explain how the remuneration accrued and consolidated in the financial year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the long-term and sustainable performance of the company.**

**Likewise report on the relationship between the remuneration obtained by the Directors and the Company's results or other performance-related measurements, explaining, where appropriate, how variations in the performance of the Company are able to impact variation in the remuneration of Directors, including those accrued whose payment has been deferred, and how the same contribute to the short and long-term results of the Company.**

The total remuneration accrued during 2023 does not exceed the maximum amount established in the Remuneration Policy approved by the General Shareholders' Meeting of 15 March 2022.

As regards the amount of the Executive Chairman's annual variable remuneration, this is linked to the Company's results in 2023, as it is linked to the Company's main indicators as detailed in section B.7 and has been determined once the audited annual accounts were made available to the Board.

The Executive Chairman's multi-year incentive, approved by the March 2019 AGM, and reviewed at the March 2022 AGM, aligns his remuneration with long-term value creation by the way it is structured.

**B.4 IReport on the result of the General Meeting of Shareholders advisory vote on the Annual Report on the previous financial year's remuneration, indicating where appropriate the number of votes against, if any:**

	Number	% of total
Votes Cast	881.734.995,00	90,9

	Number	% Votes Cast
Votes Against	35.161.870	3,98
Votes in Favour	547.101.884	62,04
Abstentions	299.471.241	33,96

## Observations

### **B.5 Explain how the fixed components accrued and consolidated during the year by the directors in their capacity as such have been determined, their relative proportion for each director and how they have varied from the previous year**

In 2023, there was no change in the remuneration of directors in their capacity as such compared to the remuneration set for 2022.

The remuneration of the members of the Board of Directors for the exercise of non-executive functions was:

- a. For membership of the Board
  - Chairman of the Board of Directors: 1,100,000 €/year.
  - Director: 175,000 €/year.
  - Coordinating Director: 30,000 €/year.
- b. For membership of Committees
  - Committee Chairman: 66,000 €/year.
  - Member of the Committee: 44,000 €/year.

### **B.6 Explain how the salaries earned were determined during the financial period ended for each Executive Director for exercising their management functions, and how they have varied with respect to the previous year**

The remuneration for the performance of the executive or delegated functions of the executive Chairman consists of the following items:

- Fixed annual remuneration, including the remuneration received for membership of any administrative body of any company of the Naturgy group, except its parent company: 1,102,800 €.
- Annual variable remuneration based on an amount equivalent to the total annual fixed monetary remuneration, to which a percentage has been applied according to the achievement metric, and which has been €2.617.495. The aforementioned amount will be settled as a voluntary contribution to the social welfare plan of which the Executive Chairman is a beneficiary, in accordance with the terms of the contract.
- The long-term incentive programme has continued to run through 2023

Other social and welfare benefits, equivalent to those generally recognised for members of the Company's senior management (medical insurance, company car, housing assistance, life and disability insurance, limited gas and electricity subsidies, savings insurance), as well as the obligation to take out civil liability insurance at the Company's expense.

**B.7 Explain the nature and main characteristics of the variable components of the remuneration systems paid in the financial year ended.**

**In particular:**

- a) **Identify each of the remuneration plans that have determined the different variable remuneration accrued by each of the directors during the financial year, including information on their scope, date of approval, date of implementation, conditions, if any, of consolidation, accrual periods and validity, criteria used to evaluate performance and how this has impacted on the setting of the variable amount accrued, as well as the measurement criteria that have been used and the time needed to be able to properly measure all the conditions and criteria stipulated. The criteria and factors that have been applied in terms of the time required and methods to check that the performance conditions or any other conditions to which the accrual and consolidation of each component of variable remuneration was linked have to be explained in detail**
- b) **For plans involving share options and other financial instruments, the general features of the plan should include information on the conditions for each plan regarding acquiring unconditional ownership (consolidation) as well as exercising said options or financial instruments, including price and exercising period. .**
- c) **Each of the Directors, and their category (CEO, external proprietary directors, external independent directors or other external directors), who are beneficiaries of remuneration systems or plans included in the variable remuneration.**
- d) **Where applicable, information shall be provided on the established periods of accrual, consolidation or deferral of payment of consolidated amounts that have been applied and/or the periods of retention/disposal of shares or other financial instruments, if any..**

**Explain the short-term variable components of the remuneration system**

For the calculation of the annual variable remuneration of the executive chairman for the financial year 2023 - and which will be settled as a contribution to the social welfare plan of which the executive chairman is a beneficiary, in accordance with the provisions of the contract - the indicators and weightings established by the Board of Directors have been taken into account, following a report from the Appointments and Remuneration Committee. Specifically, in 2022, the following parameters have been considered to determine the degree of compliance with the objectives:

- **Financial targets are weighted 65%.**
  - Ordinary Ebitda .
- **Qualitative objectives weighted 15%.**
  - Assessment of qualitative factors by the Board (contribution to business growth, transformation. teamwork)
- **ESG objectives weighted at 20% ESG**
  - Health and safety
  - Gender diversity
  - Environment
  - eNPS

The calculation is based on 100% of the total annual fixed monetary remuneration and multiplied by the degree of achievement of objectives effectively reached in the year (for a degree of achievement of 100%, 100% of the annual fixed monetary remuneration is received). It has a maximum degree of achievement of 150%. This remuneration will not be received if the degree of achievement does not reach 80%.

The determination of the annual variable remuneration of the executive Chairman is determined by the Board of Directors following a proposal from the Appointments, Remuneration and Corporate Governance Committee.

The methodology for determining the degree of achievement of the financial-quantitative objectives consists of a comparison between the budget approved by the Board of Directors for the year and the final result for the year once the annual accounts have been drawn up by the Board of Directors itself, applying certain adjustments depending on the objective in question. These adjustments are generally applied to all Naturgy group personnel included in the management by objectives system.

As regards the qualitative elements of variable remuneration, the degree of achievement is determined at the discretion of the Appointments and Remuneration Committee itself, taking into account the work performed by the Chairman during the year.

Lastly, the ESG objectives are determined by comparing the indicators budgeted at the beginning of the year with the actual data obtained at the end of the year.

Therefore, the amount of the annual Variable Remuneration corresponding to the financial year 2023 and which will be settled as a contribution to the social welfare plan of which the Executive Chairman is a beneficiary, in accordance with the contractually established amount is €2.617.495 as a total achievement rate of 111.74% was reached.

#### **Explain the long-term variable components of the remuneration system**

As the long-term incentive has not changed, the description in section A.1.6 and in previous years' reports is not repeated.

**B.8 Indicate whether certain variable components have been reduced or returned when payment of non-consolidated amounts has been deferred in the former case or, second, have been consolidated and paid according to data which has subsequently proved to be clearly inaccurate. Describe the reduced or refunded amounts for applying the reduction and refund clauses (claw-back), when they were exercised and the financial years to which they correspond.**

Not applicable

**B.9 Explain the main features of the long-term savings systems whose amount or equivalent annual cost figure in the tables in Section C, including retirement and any other survivor benefits, partially or wholly funded by the Company, whether provided internally or externally, indicating the type of plan, whether defined benefit or contribution, the contingencies covered, the conditions of the vested economic rights of the Directors and their compatibility with any type of compensation for early termination of the contractual relationship between the Company and the Director.**

Directors do not receive this type of remuneration for non-executive functions.

The Executive Chairman is entitled to the benefits available to the company's executives. These benefits are explained in section A.1.5 (long-term savings schemes).

**B.10 Explain, as the case may be, the compensation or any other type of payment as a result of early termination, whether voluntary by the Company or the Director, or due to the contract coming to an end, under the terms set forth in the same, accrued and/or received by the Directors during the financial year ended.**

Not applicable

**B.11 Explain if there have been any significant modifications to the Contracts of those who exercise Senior Management functions such as Executive Directors, and as the case may be, explain the same. Likewise, explain the main terms and conditions of the new contracts signed with Executive Directors during the financial year, except if already explained in Section A.1.**

Not applicable

**B.12 Explain any supplementary remuneration paid to Directors as compensation for services provided other than those inherent to their position**

Not applicable

**B.13 Indicate any payment in the form of advances, loans and guarantees, indicating the interest rate, key features and any amounts repaid, as well as the obligations assumed on their behalf as security.**

Not applicable

**B.14 Detail the remuneration in cash paid to Directors during the financial year, briefly explaining the nature of the different salary components.**

Contributions to pension instruments for the Executive Chairman amounted to € 441 thousand in the financial year 2023. To the aforementioned amount must be added the amount corresponding to the variable remuneration 2023, € 2.617.49 , which will be settled as a voluntary contribution to the Social Welfare Plan of which the Chairman is a beneficiary. The premiums paid for life and disability insurance amounted to 154 thousand euros during the year. The amount of the limited allowance for electricity and gas consumption, company vehicle, housing assistance and health care insurance amounted to 54 thousand euros during the year.

**B.15 Explain the remuneration earned by the Director in virtue of the payments made by the listed company to a third party in which the Director provides services, when said payments are made to remunerate the Director's services in the Company.**

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Not applicable

**B.16 Explain and detail the amounts accrued during the year in relation to any other type of remuneration, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true and fair view of the total remuneration accrued by the director, explaining the amount granted or pending payment, the nature of the consideration received and the reasons why it would have been considered, as the case may be, that it does not constitute remuneration to the director in his capacity as such or in consideration for the performance of his executive duties, and whether or not it has been considered appropriate to include it among the amounts accrued in the "other items" section of section C.**

Not aplicable

## C. BREAKDOWN OF INDIVIDUAL REMUNERATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period Q
RAMÓN ADELL RAMÓN	Propietary	From 01/01/2023 to 31/12/2023
ENRIQUE ALCÁNTARA-GARCÍA IRAZOQUI	Propietary	From 01/01/2023 to 31/12/2023
JAIME SILES FERNANDEZ PALACIOS	Propietary	From 01/01/2023 to 31/12/2023
FRANCISCO BELIL CREIXELL	Independiente	From 01/01/2023 to 31/12/2023
HELENA HERRERO STARKIE	Independiente	From 01/01/2023 to 31/12/2023
LUCY CHADWICK	Propietary	From 01/01/2023 to 31/12/2023
RAJARAM RAO	Propietary	From 01/01/2023 to 31/12/2023
ISABEL ESTAPÉ TOUS	Propietary	From 01/01/2023 to 31/12/2023
José Antonio Torre de Silva	Propietary	From 28/03/2023 to 31/12/2023
Theatre Directorship Services Beta, S.à.r.l.	Propietary	From 01/01/2023 to 28/03/2023
CLAUDI SANTIAGO PONSÀ	Independent	From 01/01/2023 to 31/12/2023
PEDRO SAINZ DE BARANDA RIVA	Independent	From 01/01/2023 to 31/12/2023
FRANCISCO REYNES MASSANET	Executive Chairman	From 01/01/2023 to 31/12/2023
Rioja S.à.r.l.	Propietary	From 01/01/2023 to 31/12/2023

**C.1 Complete the following tables on the individual remuneration of each of the Directors (including remuneration for carrying out Executive duties) paid during the financial year**

**a) Remuneration earned in the Company covered in this report:**

**i) Payment in cash (in thousands of €)**

Name	Fixed Remuneration	Allowance	Remuneration for membership of Board Committees	Salary	Short-term variable remuneration	Long-term Variable Remuneration	Compensation	Other Items	Total for year t	Total for year t
Francisco Reynés Massanet	1.100			1.103		0		54	2257 (*)	2832 (*)
Ramón Adell Ramón	175		44						219	230
Enrique Alcantara-García Irazoqui	175		44						219	219
Isabel Estapé Tous	175		44						219	224
Lucy Chadwick	175		44						219	224
Rajaram Rao	175		44						219	219
Rioja S.à.r.l.	175		44						219	219
Theatre Directorship Services Beta S.à.r.l.	42		11						53	224
José Antonio Torre de Silva	133		33						166	
Jaime Siles Fernández Palacios	175		44						219	194
Claudi Santiago Ponsa	175		110						285	283
Pedro Sainz de Baranda Riva	175		108						285	283
Helena Herrero Starkie	205		110						315	312
TOTAL	3097		691						4947	5687

(\*) Does not include the amount corresponding to the accrued annual variable remuneration paid in year as a contribution to pension systems, as contractually established.

**ii) Table on share-based and gross return on shares or consolidated financial instrument remuneration systems**

Name	Plan Name	Financial instruments at the beginning of financial year Q		Financial instruments allocated during financial year Q		Financial instruments consolidated during financial year Q			Gross return on shares or consolidated financial instruments (in thousands €)	Financial instruments due but not exercised		Financial instruments at the end of financial year Q	
		Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent shares	Nº instruments	Nº equivalent shares	Price of consolidated shares		Nº instruments	Nº instruments	Nº equivalent shares	
Director 1	Plan												
	Plan												

**Observations**



### iii) Long-term Saving Systems

	<b>Remuneration for vested rights to Savings System (*)</b>
Francisco Reynés Massanet	3.058

(\*) Includes the amount corresponding to the accrued annual variable remuneration that will be settled in year t as a contribution to pension systems, as contractually established.

#### **Funds paid in by the Company in financial year (thousands of €)**

Name	<b>Savings system with vested economic rights</b>		<b>Savings system with no vested economic rights</b>		<b>Amount of the accumulated funds (thousands €) (*)</b>			
					<b>Financial year Q</b>		<b>Financial year Q-1</b>	
	<b>Financia l year Q</b>	<b>Financia l year Q-1</b>	<b>Financia l year Q</b>	<b>Financia l year Q-1</b>	<b>Savings system with vested economic rights</b>	<b>Savings system with no vested economic rights</b>	<b>Savings system with vested economic rights</b>	<b>Savings system with no vested economic rights</b>
Francisco Reynés Massanet	0		3.058	2.953		16.556		13.365

(\*)(\*)Includes the amount corresponding to the variable remuneration for the corresponding year that was settled as a contribution to the Social Welfare Plan of which the Chairman is a beneficiary..

#### Observations

#### iv) Detail of other items

Name	Item	Remuneration Amount
Francisco Reynés Massanet	Life insurance	154

#### Observations

#### b) Remuneration paid to directors of listed companies for their membership of the governing bodies of their subsidiaries:

##### i) Payment in cash (in thousands of €)

Name	Fixed Remuneration	Allowance	Remuneration for Membership on Committees of the Board	Salary	Short-term Variable Remuneration	Long-term Variable Remuneration	Compensation	Other Items	Financial Year Total Q	Financial Year Total Q-1
Director	0	0	0	0	0	0	0	0	0	0
Director										

### Observations

### ii) Table on share-based and gross return on shares or consolidated financial instrument remuneration systems

Name	Plan Name	Financial instruments at the beginning of financial year Q		Financial instruments allocated during financial year Q		Financial instruments consolidated during financial year Q			Gross return on shares or consolidated financial instruments (in thousands €)	Financial instruments due but not exercised	Financial instruments at the end of financial year Q	
		N° instruments	N° equivalent shares	N° instrument	N° equivalent shares	N° instruments	N° equivalent/consolidated shares	Price of consolidated shares			N° instruments	N° equivalent shares
Director 1	Plan											
	Plan											

### Observations

### iii) Long-term Saving Systems

Long-term Saving Systems

#### Remuneration for vested rights to Savings System

Funds paid in by the Company in financial year (thousands of €)								
Name	Savings system with vested economic rights		Savings system with no vested economic rights		Amount of the accumulated funds (thousands of €)			
	Financial year Q	Financial year Q-1	Financial year Q	Financial year Q-1	Ejercicio tFinancial year Q		Financial year Q-1	
					Savings system with vested economic rights	Savings system with no vested economic rights	Savings system with vested economic rights	Savings system with no vested economic rights
Director								

**Observations**

**iv) Detail of other items**

Name	Item	Remuneration Amount
Director		

**Observations**

**c) Summary of remunerations (in thousands of €):**

The amounts corresponding to all the remuneration items included in this report that have been earned by the Director must be included in the summary, in thousands of euros.

Name	Remuneration earned in the Company				Remuneration earned in companies of the Group					
	Total Remuneration in Cash	Gross return on shares or consolidated financial instruments	Remuneration by savings systems	Remuneration for other items	Total for the year company	Total Remuneration in Cash	Gross proceeds from equity or financial instruments consolidated	Remuneration by savings systems	Remuneration for other items	Total for the financial year Group
Francisco Reynés Massanet	2.257		3.058	154	5.469					
Ramón Adell Ramón	219				219					
Enrique Alcantara-García Irazoqui	219				219					
Isabel Estapé Tous	219				219					
Lucy Chadwick	219				219					
Rajaram Rao	219				219					
Rioja S.à.r.l.	219				219					
Theatre Directorship Services Beta S.à.r.l.	53				53					
José Antonio Torre de Silva	166				166					
Jaime Siles Fernández Palacios	219				219					
Claudi Santiago Ponsa	285				285					
Pedro Sainz de Baranda Riva	285				285					
Helena Herrero Starkie	315				315					
<b>TOTAL</b>	<b>4.894</b>		<b>3.058</b>	<b>154</b>	<b>8.106</b>					

## Observations

**C.2** Indicate the changes over the last five years in the amount and percentage change in the remuneration earned by each of the listed company's directors during the year, the consolidated results of the company and the average remuneration on a full-time equivalent basis of the employees of the company and its subsidiaries who are not directors of the listed company

<b>Total amounts accrued and % annual change</b>									
	<b>Exercise</b>	<b>%</b>	<b>Exercise</b>	<b>%</b>	<b>Exercise</b>	<b>%</b>	<b>Exercise</b>	<b>%</b>	<b>Exercise</b>
	<b>t</b>	<b>change</b>	<b>t-1</b>	<b>change</b>	<b>t-2</b>	<b>change</b>	<b>t-3</b>	<b>change</b>	<b>t-4</b>
		<b>t/t-1</b>		<b>t-1/t-2</b>		<b>t-2/t-3</b>		<b>t-3/t-4</b>	
<b>Executive Directors</b>									
Francisco Reynés Massanet	5.469	-6,6 %	5.856	4,9 %	5.582 (*)	8,0 %	5.169 (*)	-7,2 %	5.568 (*)
<b>External Directors</b>									
Ramón Adell Ramón	219	-4,4 %	229	-27,3 %	315	-11,3 %	355	— %	355
Enrique Alcantara-García Irazoqui	219	— %	219	57,6 %	139	178,0 %	50	-78,7 %	235
Isabel Estapé Tous	219	-2,2 %	224	-14,8 %	263	42,2 %	185	— %	—
Lucy Chadwick	219	-2,2 %	224	-14,8 %	263	42,2 %	185	— %	—
Rajaram Rao	219	— %	219	— %	219	-6,8 %	235	— %	235
Rioja S.à.r.l.	219	— %	219	— %	219	-6,8 %	235	139,8 %	98
Theatre Directorship Services Beta S.à.r.l.	53	-76,3 %	224	-14,8 %	263	11,9 %	235	— %	235
Jaime Siles Fernández Palacios	219	12,9 %	194	— %		— %		— %	
José Antonio Torre De Silva López de Letona	166								
Claudi Santiago Ponsa	285	0,7 %	283	7,6 %	263	11,9 %	235	— %	235
Pedro Sainz de Baranda Riva	285	0,7 %	283	7,6 %	263	-10,9 %	295	— %	295
Helena Herrero Starkie	315	1,0 %	312	9,5 %	285	21,3 %	235	— %	235
Resultados consolidados de la sociedad	1.986	20,4 %	1.649	35,8 %	1.214	-449,9 %	-347	-124,8 %	1.401
Remuneración media de los empleados	65.784	6,9 %	61.548	5,6 %	58.281	4,4 %	55.824	(4,0)%	58.155

**Observations:****Note**

On average employee remuneration, the data are at group level expressed in euros. Does not include company Social Security cost.

Data for 2023 are estimated, pending final closure and final settlement of Variable Remuneration'23 for the workforce included in this scheme.

## D. OTHER INFORMATION OF INTEREST

If there is any other relevant information on Director remuneration that has not been included in the rest of the sections of this report, but which should be included in order to gather more complete and reasoned information on the structure and compensation practices of the Company with regard to its Directors, please briefly describe such information below

It should be noted that since numbers with two decimal places are not allowed on the form of the Annual Report Circular on Directors' Remunerations, there are some minor variations in the figures indicated when compared with the actual figures. .

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This Annual Remuneration Report was approved by the Board of Directors of the Company at the meeting on 26 February 2024.

Please indicate whether any Directors have voted against or abstained from the approval of this report.

**Sí**  **No**

**Name and Company Name of the Members of the Board that have voted against approving this report.**

**Reasons (against, abstention, non-attendance)**

**Explain the reasons**

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