

Integrated
Annual Report
2019



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the Chairman

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Dear shareholders,

I would like to begin this letter by acknowledging the effort made by our thousands of collaborators around the world as the Covid-19 global pandemic has been unfolding. Their total and proven commitment to the company during these difficult times deserves special recognition. I would also like, on behalf of the Board of Directors and on my own behalf, to express my deepest condolences and full solidarity with those families who have experienced first-hand the impact of the virus on their loved ones.

Naturgy had anticipated the seriousness of the situation by urgently activating its crisis committee days before the state of alarm was decreed in Spain, and was able to take special measures to protect its employees in every country in which it operates and to support its customers and suppliers.

One of the first decisions was that of providing employees with the necessary resources to enable them to work from home. This measure could be applied by 75% of employees, contributing to their protection and that of their families. At the same time, personal protective equipment was provided to employees who had to continue to travel to work in order to attend to customer emergencies or to the critical locations where the security of the energy we supply is guaranteed. I would particularly acknowledge the 1,100 employees in Spain and a similar number in the other countries where Naturgy has operations who have ensured the smooth running of our operations during this special period.

Naturgy has taken a proactive approach by designing and implementing a plan for de-escalation and return to activity after the easing of the Covid-19 lockdown measures that prioritised the safety and well-being of our employees and their families. The company has tested its employees in order to coordinate their return to normality and to guarantee their health and safety, and this measure has been extended to all their direct family members. Moreover, in compliance with the recommendations of the Spanish health authorities, workplaces have been adapted and hygiene measures at all of them have been stepped up to provide the greatest assurance.

One of the effects that this global pandemic has brought with it is the realisation that the value of companies goes beyond their strictly financial metrics. The focus today is not only a company's economic dimension, but also its social dimension, the commitment a company acquires to the society in which it operates and where it can be of influence by improving the quality of life and welfare of all its citizens.

In order to stay true to this vision, the group has launched various initiatives with the aim of mitigating the impact of the pandemic on household economies, contribute to the management of the health crisis and help return to economic growth. Potential beneficiaries in Spain form a group of more than 10 million people comprising customers, families, suppliers and society in general.

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

In this regard, I would like to highlight the fact that the company is a pioneer in providing support for the short-term liquidity needs of customers – domestic, SMEs and the self-employed – through the possibility of postponing payment of bills for the second quarter of the year and offering the possibility of repayment over twelve months. This support is available to more than 4 million households in Spain.

Likewise, Naturgy also accelerated payments to its SME and self-employed suppliers to support the economic stability of these groups. In other countries such as Argentina, Chile and Mexico, among others, measures have also been implemented to facilitate the liquidity of these companies. In addition, the group provided its more than 7 million customers with the possibility of making video consultations for health-related matters without leaving their homes in order to ease the burden on health centres during the most critical moments.

Naturgy has also taken the lead in performing an important social function during this crisis with the supply of free electricity and gas to hotels and residential facilities that have been converted into makeshift hospitals, more particularly the field hospitals set up in the IFEMA exhibition centre in Madrid, and in the Fira exhibition centre in Barcelona.

The company also offered a free electricity and gas repair service for one year for health workers, such as doctors, nurses, hospital porters, as well as for members of the different law enforcement services, the armed forces and firefighters, allowing close to 1.3 million people to benefit from this measure. During the duration of the state of alarm in Spain, the company has not cut off the supply of gas or electricity to its customers and has donated 1.1 million euros to the Red Cross for the purchase of medical equipment. This campaign was replicated in the other countries where the company operates, with the proceeds donated to local branches of the Red Cross or directly to health institutions.

If we look beyond the company, the scenario we face has no precedent. The international expansion of the Covid-19 has led to a complex situation with consequences that

are very difficult to predict and with indications of an international economic decline to levels similar to those of the Second World War, according to organisations such as the IMF. The pandemic has limited productive activity in many sectors, affected market dynamics and consumers, and has influenced the price of raw materials, with a particularly intense impact on oil and gas prices.

The difficulty faced in dealing with the coronavirus has forced governments and supranational entities to take the extraordinary measures that are necessary in order to counteract the spread of the Covid-19 pandemic, and these have had a great impact on local economies and immediate repercussions on such a globalised system as ours.

There is no doubt that this will mark a turning point for the global economy and world trade; for the strategies of goods production, many of which until now have been based on relocation; for international relations; for the mobility of people and goods; and for the ways in which companies carry out their activity. It is very possible that the changes we have experienced in recent weeks will lead to far-reaching modifications that will eventually become structural, supported by technology and, in particular, by the great advance made in telecommunications.

Major milestones in 2019

Despite the seriousness and scope of all the above, it is our obligation to report to you on the first full year after the implementation of our Strategic Plan 18–22. Again, I would like to highlight the commitment, dedication and professionalism of all Naturgy employees, who have allowed the company to meet important targets despite the demanding challenges of the environment, both in terms of macroeconomics and energy, and to deal with regulatory upheaval. If I may say so, we as shareholders have good reason to be proud of the performance of each and every one of them.

In 2019, we invested close to Euros 1.7 billion mainly in growth projects, raising our investment in renewable energies to record levels in the company's history, in the ongoing modernisation of our electricity and gas distribution networks, and in achieving joint control of the Medgaz direct gas pipeline connection to Algeria, which is strategic infrastructure for Naturgy and for Spain.

At the start of the year, we were the first Spanish energy company to formally request the closure of all our coal-fired power stations, enabling us to continue moving towards a more sustainable energy mix. The minimal use given to them during the year, among other factors, contributed to a 16% reduction in our CO₂ emissions in 2019 compared to the previous year, one of the biggest reductions in the sector.

By year-end, our teams had managed to generate cumulative cost savings of more than Euros 380 million since the commencement of the Strategic Plan in June of 2018 and to substantially improve the company's competitiveness by making it a recurring item from now on. New initiatives have also been identified that will enable us to meet the target set for annual savings of Euros 500 million as early as 2020. Because of our increased efficiency, we are becoming more competitive every day.

Naturgy today has a better risk profile as a result of the measures adopted to reduce volatility in those businesses whose nature depends on external variables beyond our control. In the case of the LNG sector, our efforts throughout 2019 have led to the situation where 90% of our 2020 sales are already under contract, thereby increasing the visibility of cash-flows.

The Global Health and Safety Policy was approved in 2019 by the Board of Directors to ensure compliance with the commitments made in the Naturgy Corporate Responsibility Policy. We are pleased to report that there were no fatal accidents among the company's employees in the course of the year and that, additionally, the lost-time injury severity rate was reduced by more than 12%. However, we must call to mind the death of two employees of a collaborating company, which strengthens our resolve to continue focusing on reducing accident rates in our collaborating companies.

Progress continued to be made in 2019 on the implementation of policies that promote work-life balance, joint-responsibility of our collaborators, and encouraging diversity. In this regard, more than 1,300 employees took advantage of some of these measures during the year. Moreover, we succeeded in raising the proportion of women employed in our corporate divisions to 55%.

The 2019 energy scenario

All of the achievements we made during the year took place in a gradually deteriorating energy scenario that worsened in the second half of the year, as shown by the evolution of a number of key indicators, such as gas prices and the electricity pool price.

Where gas is concerned, the benchmarks of the last three years have fallen very significantly: NBP dropped by 36% in Europe; HH fell by 34% in the US; and J KM was reduced by 23% in Asia. This fall in prices has resulted in a decoupling of the correlation that has historically existed between the price of gas and the price of petroleum.

The natural gas-to-petroleum price ratio in Asia dropped from 13.8% in 2018 to 9.3% in 2019, while the fall recorded in Europe for the same period was from 11.4% to 7%. This impact of these falls have been substantially mitigated thanks to the change in strategy that was initiated in 2018 to reduce business volatility, particularly in the LNG business, which enabled us to have approximately 90% of the year's volumes covered in the first quarter of 2019.

One of the consequences of the fall in gas prices was the 17% drop in the electricity pool price in Spain compared to 2018, mainly owing to a significant increase in the production by combined-cycle gas turbine (CCGT) plants by approximately 94%, which affected pool prices as a result of oversupply.

In view of the events of recent months, Naturgy continues to monitor the evolution of Covid19 and its impact on the international and national macroeconomic and energy outlook in order to adapt our activities and decisions to the medium and long-term situations that may arise as a result of the pandemic. We are and will always be prepared to make the necessary decisions at any time and under any circumstances.

2019 results

With regard to the group's consolidated economic figures, which you will find in much greater detail in the following pages, I would like to highlight the most relevant results achieved in 2019 compared to those of 2018:

- Total revenue exceeded Euros 23 billion (-5.3%).

- Ordinary operating profit was Euros 4.668 billion (+6%).
- Ordinary net profit reached Euros 1.432 billion (+15%).
- Cash-flow generation stood at Euros 5.6 billion.
- Total net debt remained constant at Euros 15.3 billion. As a result, the rating agency Standard & Poor's kept the group's risk rating at a stable BBB, despite the unfavourable situation in the sector and economic uncertainty.
- We paid Euros 921 million in direct taxes, and Euros 2.034 billion in indirect taxes, mainly VAT.

Moving on to analyse the individual results of each of the different business areas, I would like to highlight the following:

In the Gas & Power division, the good performance in the gas, electricity and services commercialisation business, as well as the international generation business, was balanced out by weakness in the LNG and conventional generation businesses in Spain, both affected by a decline in sales, prices and margins. Despite the difficult environment that was accentuated in the last part of the year, this division contributed Euros 1.42 billion to consolidated Ebitda, 2% less than last year. It also maintained its commitment to investing in projects for future growth, mainly renewable energies, with a total allocation of Euros 558 million.

The electricity and gas distribution business in EMEA showed a stable evolution in all the group's activities, which contributed to total revenue with an Ebitda of Euros 1.981 billion, 7% higher than the previous year. The company continues to support energy transition through investments in regulated businesses, particularly in electricity grids, to which it allocated approximately Euros 221 million during the year.

With regard to the distribution business in Latin America, the South American division (Chile, Brazil, Argentina and Peru) achieved a significant improvement in its 2019 results and a contribution to ordinary Ebitda of Euros 946 million, a 12% increase. This was despite a negative evolution of exchange rates, which was particularly notable in the case of Argentina, and the deterioration in the political situation in Chile during the last part of the year. In the case of the North American division (Mexico

and Panama), the good operating performance of its businesses, as well as increase in demand, contributed with a consolidated Ebitda of Euros 377 million, 37% higher than the previous year, also supported by positive evolution in the exchange rate.

Both corporate units and business divisions made progress in their policies for technological improvement and updating, using the Lean Project as a basis for comprehensive transformation and bringing about the simplification of the Group's processes in this way.

Naturgy in the securities market in 2019

Unfortunately, the company's good operating results were not reflected in the behaviour of its share price in the course of 2019. Despite offering a total return to shareholders of over 6% ⁽¹⁾, the share price was affected by various external factors, among which we would highlight:

- The proposal by the National Securities Market Commission (CNMC) for regulatory remuneration in the gas distribution activity in Spain, which led to unjustified cuts in our revenues in the medium-term. In this sense, regulatory management worked intensely during 2019 to set out the regulatory framework that will come into force in 2021. The regulatory framework, which was finally approved in the first quarter of 2020, substantially reduces the negative impact on the system compared to the initial proposal and is based on a continuation of the existing activity-based remuneration framework. In the process, Naturgy has strongly supported an objective methodology and a stable framework that provides visibility and incentives for investments in order to protect the interests of all stakeholders and a balanced energy transition. The company will adopt growth plans to ensure that the new investments it makes are reasonably remunerated and achieve a minimum acceptable return in the long term.

⁽¹⁾ Total shareholder return calculated on the basis of share performance over the year, adjusting the price to take into account the dividends distributed.

- Political instability in Latin America, particularly in Chile and Argentina, which resulted in proposals for compensation adjustments and in a declining exchange rate, and which caused concern in the financial markets because of our presence in the region.
- An energy scenario in continuous downturn, which intensified its fall as of the third quarter of the year, causing a decoupling between international gas prices with respect to its previous benchmark, petroleum, and with an effect on commodity prices. In addition, significant falls in gas prices also had a negative impact on thermal power generation results, particularly on margins of CCGTs.

In this regard, I would like to share with all of you the fact that the management of Naturgy is not conditioned by the short-term behaviour of the share price. We firmly believe that in the long-term the price of our shares will reflect the progress of the company, and we firmly and eagerly take on the responsibility of anticipating future challenges, factors that we are certain will be reflected in our valuation.

The immediate future and the need for transformation

We have started a new year, 2020, with significant agitation and headwinds. This year is not going to be easy, given the environment of growing trade tensions, lower private demand, downturn in world commodity prices – particularly energy prices – and high uncertainty and volatility. As a result, the OECD forecasts growth in the world economy at the lowest levels since the Great Recession, with continuous revisions of its forecasts, all of which have led to the identification of increasingly less positive prospects, also influenced by the impact of recent events in the field of health.

This uncertain and increasingly volatile and ethereal environment requires companies to engage in an exercise of reflection, to seek new ways of adapting to new conditions, and to implement plans that will make projects more sustainable and longer-lasting. The Covid-19 pandemic is driving us with even greater determination to improve our efficiency and to adapt to the new circumstances. The company is determined to work and adapt to the new global macroeconomic reality that all sectors are facing.

Naturgy must therefore also adopt such an attitude and embrace a new, more profound stage of transformation that will enable the company to continue consolidating structural reforms already implemented while addressing the challenges of the immediate future. Consequently, in 2020 we are going to enter a new stage in which we have set the following goals:

- To be more ambitious in our quest for excellence and improvement of our competitiveness, optimising the processes that allow us to enhance our efficiencies. During 2020 we will reach a level of improvement in Opex that will allow us to meet our targets two years ahead of schedule, and therefore we are taking on the responsibility for setting more ambitious targets to be met by 2022. For this purpose we are identifying new areas of improvement that will allow us to cope with adverse scenarios.
- To consolidate our leading role in the energy transition process, moving ahead with the decarbonisation of the group, increasing the weight of the electricity business and with a particular focus on sources of renewable energy generation. We will do so with financial discipline, by pursuing improvements in the predictability of cash-flows and increasing our potential for future growth. And by giving innovation the role it deserves.
- To speed up, as much as possible, the rotation of our business portfolio, which will allow us to reduce our company's risk profile and volatility, which should also allow value realisation. These actions should also contribute to further progress in the simplification of the Group and accelerate our commitments to decarbonisation in line with our Environmental Plan, which has been acknowledged by a large number of international indices.
- To intensify regulatory management proactively in order to ensure that we will be able to invest and operate under stable regulatory frameworks with long-term visibility. We will work to have regulatory schemes that encourage investments and guarantee reasonable returns to support the energy transition.
- To adapt our organisation to the challenges we identify, in order to be able to meet them with the greatest guarantee of success. And to do so, we will combine the significant talent that the company

already enjoys with strengthened external talent, to make Naturgy a leader in employee quality and commitment.

Our commitments to shareholders and stakeholders

The management of Naturgy is focused on creating value for shareholders and aligning the interests of all our stakeholders. In this regard, we will work to renew the enthusiasm of all our collaborators and customers and to strengthen their identification with this project.

Likewise, we will continue to reinforce our commitment to health and safety, through the implementation of our Corporate Responsibility Policy, and above all, to strive to consolidate a working environment that looks after the health and well-being of our employees and one that is accident-free.

We will also continue to make progress in our Vulnerability Plan, thanks to the social action taken by our Foundation, with initiatives such as the energy-efficient retrofit of the homes of vulnerable families and our Energy School, which provided training for close to 20,000 people last year.

As far as the company's corporate governance is concerned, we will make steady progress in complying with CNMV recommendations. We will be pioneering in the implementation of a number of these, but we will also explain with total transparency, if necessary, the reasons why it is not possible to comply fully with others. In particular, we will strengthen the Board of Directors' commitment to Sustainability and progress towards gender parity on the Board. We are aware of the importance of parity targets and the need to face meet challenges firmly and realistically after 175 years of history. Which is why the company's highest governing body will be setting the example.

And we will maintain our commitment to shareholder remuneration, in line with the Strategic Plan.

I began this letter by listing some of the reasons why we as shareholders have reason to be proud of the company's performance in 2019, a year that became difficult. We are now well into the new year, that of 2020, which is more challenging and with greater uncertainties in view of the unprecedented downturn in the world economy due to the Covid-19 health crisis. We have an obligation to move

forward in a context of falling global GDP in the light of information from national and international economic bodies. But Naturgy has the capacity and a team of professionals who are ready to face the situation with maximum assurances for our shareholders.

We are committed to the responsibility of accelerating our transformation, and of carrying it out in any way that is required of us, with the firm aim of turning the challenges and the uncertainties of the environment into opportunities, and of doing so with the highest expectations and with renewed energy. I am convinced that by working hard, and with the necessary determination to face the changes, we will again have reason to be proud of our achievements. And I am also convinced that the commitment of all our employees will help us to achieve our goals.

Thank you very much for your attention and for placing your trust in all of us.



Francisco Reynés
Executive Chairman

Madrid, May 2020.

Transparency

At Naturgy we are committed to honestly transmitting who we are, how we act, where we are successful and what we must improve on. By being transparent we create a solid bond of trust and responsibility between the company and society, thus contributing to the creation of common good (benefit).



Main milestones and key figures

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Recognition by CDP as a world leader for its action against climate change. The only Spanish energy company awarded this recognition.



Announcement of the closure of Naturgy coal-fired power stations in Spain to promote the energy transition.



Global leadership in FTSE4GOOD, in the multi-utilities sector for the second year running.



The Board of Directors approved the **revised Human Rights Policy**.



2019

Main milestones of the year



January · March

April · June



Improvement of the international profile: **sale of 100%** of the Chilean company **Transemel, S.A.** for **155 million euros**.



Agreement with Mubadala, together with Sonatrach, to acquire a 42% stake in Medgaz, S.A. Following the operation: strategic stake of 49%.



Approval of the Environmental Plan to reduce emissions, promote renewable gas and the circular economy, care for biodiversity and develop natural capital.



Global leadership in the Dow Jones Sustainability Index, in the Gas Utilities sector.



Signing of the #CEOporladiversidad alliance as a sign of support for inclusion and equality.



€600M

Renewable energy projects. Commissioning of **800 MW of renewable energy** in Spain. **180 MW of wind power** in Australia and **324 MW of wind power capacity** under development in Chile.



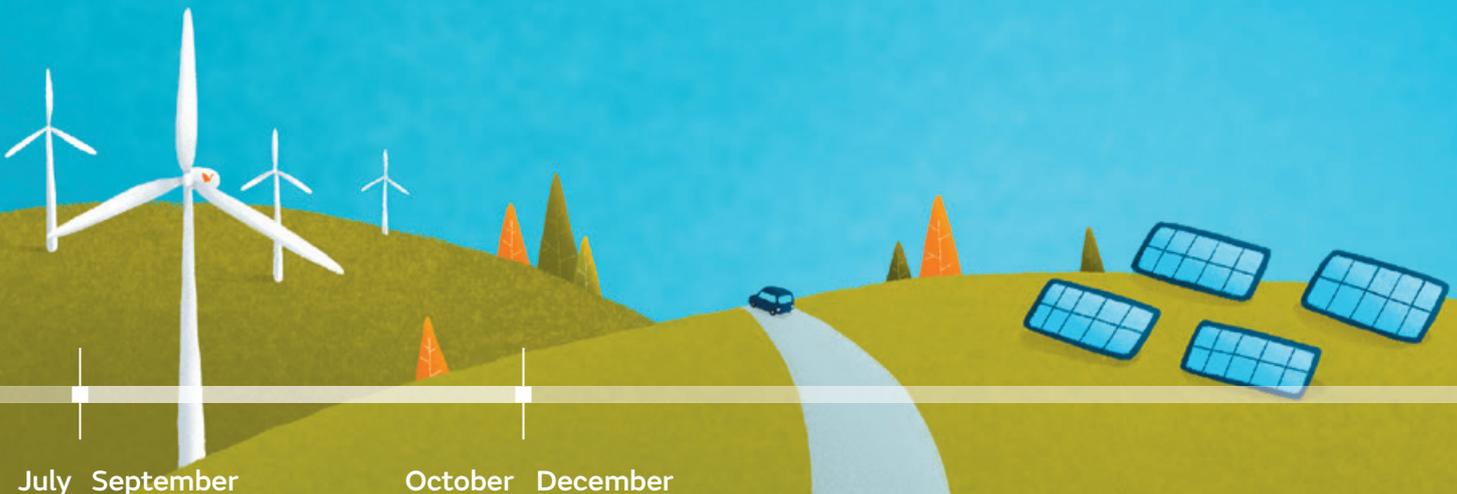
First to connect the entire solar power output to the grid in 2017. A total of 5 solar plants with a capacity of 250 MW.



Start of renewable gas injection into our distribution network.



24% water reduction in our activity.



Main economic indicators

Net turnover

€23,035M

-5.4% vs. 2018

Gross ordinary operating profit

€4,668M

+5.8% vs. 2018

Ordinary net profit

€1,432M

+15.0% vs. 2018

Free cash-flow after minorities

€1,958M

-35.9% vs. 2018

Capex

€1,685M

-27.4% vs. 2018

Growth Capex remunerated

€1,400M

70% in renewables and electricity grids

Net financial debt ^{at 31/12}

€15,268M

-0.3% vs. 2018
Proforma applying IFRS16

Indebtedness

52.2%

51.2% in 2018

Net financial debt/Ebitda

3.3x

3.8x in 2018

Share prices ^{at 31/12}**€22.40**

€22.26 in 2018

Ordinary earnings
per share**€1.46**

€1.25 in 2018

Dividend distributed
per share**€1.37**

€1.30 in 2018

Ebitda
by geography (%)

- International.
- Spain.

Ordinary Ebitda
by business (%)

- Gas & Power.
 - Infrastructure EMEA.
 - Infrastructure South LatAm.
 - Infrastructure North LatAm.
- Rest: -1.2%.

Investments
by business (%)

- Gas & Power.
 - Infrastructure EMEA.
 - Infrastructure South LatAm.
 - Infrastructure North LatAm.
- Rest: +1.5%.

Operating performance

—

Distribution

Gas

465,844^{GWh}

Networks

133,917^{km}

Supply points in thousands

11,075

Electricity

53,519^{GWh}

Networks

218,831^{km}

Supply points in thousands

7,691

Commercialisation

Gas

339,252^{GWh}

Electricity

25,032^{GWh}

Electricity generation

Total installed capacity

16,893^{MW}

Total net production

44,704^{GWh}

Environmental and social performance_

Environment

Emission factor for electricity generation

301 tCO₂/GWh

342 tCO₂/GWh in 2018

Greenhouse gas emissions (GHG) ⁽¹⁾

15.4 MtCO₂e

18.3 MtCO₂e in 2018

Health and safety

No. of accidents with sick leave

28

Idem in 2018

Emissions-free installed capacity

30.1%

27.5% in 2018

Emissions-free net production

27.0%

24.9% in 2018

Interest in people

No. of employees at year-end ⁽²⁾

11,847

12,700 in 2018

Training

86%

employees trained.

Transparency and integrity

Economic value distributed

€21,533M

€23,413M in 2018

Women

32%

31% in 2018



Men

68%

69% in 2018



Correspondence received by the Code of Ethics Committee

194

199 in 2018

⁽¹⁾ GHG: greenhouse gases, measured as tCO₂ equivalent (scope 1).

⁽²⁾ Does not include the number of employees in businesses classified as discontinued operations (78 persons in 2019 and 786 persons in 2018).

Anticipation

In an ever-changing world, anticipating tomorrow's challenges requires an in-depth knowledge of the sector and society that demands increasingly better responses. Therefore, at Naturgy we focus not only on identifying business opportunities, but also on recognising the needs of a society that is increasingly mature and takes greater responsibility for its quality of life and its environment.



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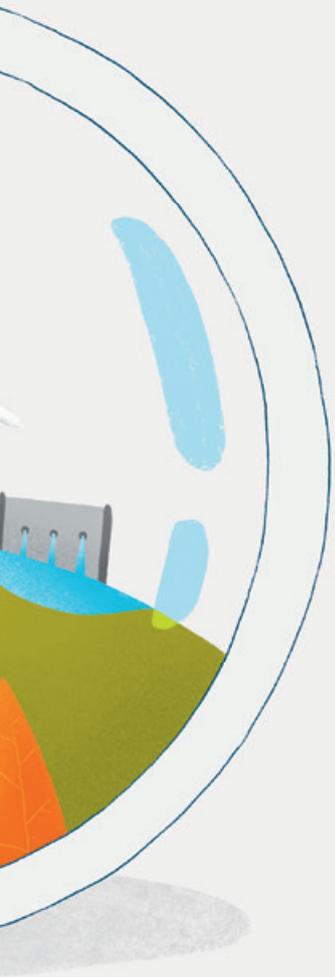
Market trends, risks and opportunities

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Market trends



Reduction of CO₂ emissions and expansion of renewable energy, with natural gas as a key contributor

The Paris Agreement (XXI United Nations Climate Change Conference - COP 21) seeks to minimise the impact of climate change, entailing a reduction in emissions that is only possible if there is a long-term energy transformation. The energy transformation may be an opportunity, since it will require increased investment, but it will also reshape the appeal of businesses and investments alike.

Although there is no single path to achieving the climate goals, the most ambitious scenarios pose significant challenges for fossil fuels.

Due to falling capital costs, renewables are consolidating their leadership and will be the fastest-growing primary energy source in the medium and long-term. Renewables are expected to expand from 2% of primary energy demand in 2018 to 7% by 2040.

Natural gas is expected to account for 25% of the primary energy mix in 2040, as it is the main energy source that is compatible with the climate commitments.



Growing electricity demand and energy efficiency

In terms of final energy consumption, electricity will expand by 58%, from total worldwide demand of 23,000 TWh in 2018 to 36,500 TWh in 2040. Development of the emerging economies will require increased use of electrical applications (motors, cooling systems, information technology, etc.), while greater electrification of homes and transportation, coupled with digitalisation, will drive growth of electricity as a final energy source.

Electricity's share of total energy demand is expected to rise from 19% in 2018 to 24% in 2040.



Big data and data analytics

Digitalisation in the energy sector, such as the development of applications and services that transform the relationship with customers due to greater connectivity, will enable demand management to be optimised (smart devices) and the portfolio of products and services to be expanded.



Risks

Risk Management Model

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

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



Risk management bodies

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

Audit Committee

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

Risk Committee

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

Risk Control Units

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

- **Risks and Insurance**
Identifies, monitors and tracks the group's overall risk profile based on a definition of policies and metrics in coordination with the business units. Supports the Risk Committee in determining and monitoring the overall risk profile.
- **Gas & Power Risks**
Oversees and proposes measures to mitigate risks on the basis of group policy, reducing volatility to achieve the target rate of return.
- **Internal audit**
Reviews and tracks the internal control system established by Senior Management and evaluates the operational risks linked to the processes. Supports the Audit Committee in its supervisory functions.

Business, Corporate and Project units

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

Risk categories

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

The system addresses basically three categories of risk:

- **Market risk**

Understood as the uncertainty related to commodity prices, exchange rates and interest rates, which may impact the company's balance sheet, its procurement costs or its ability to raise

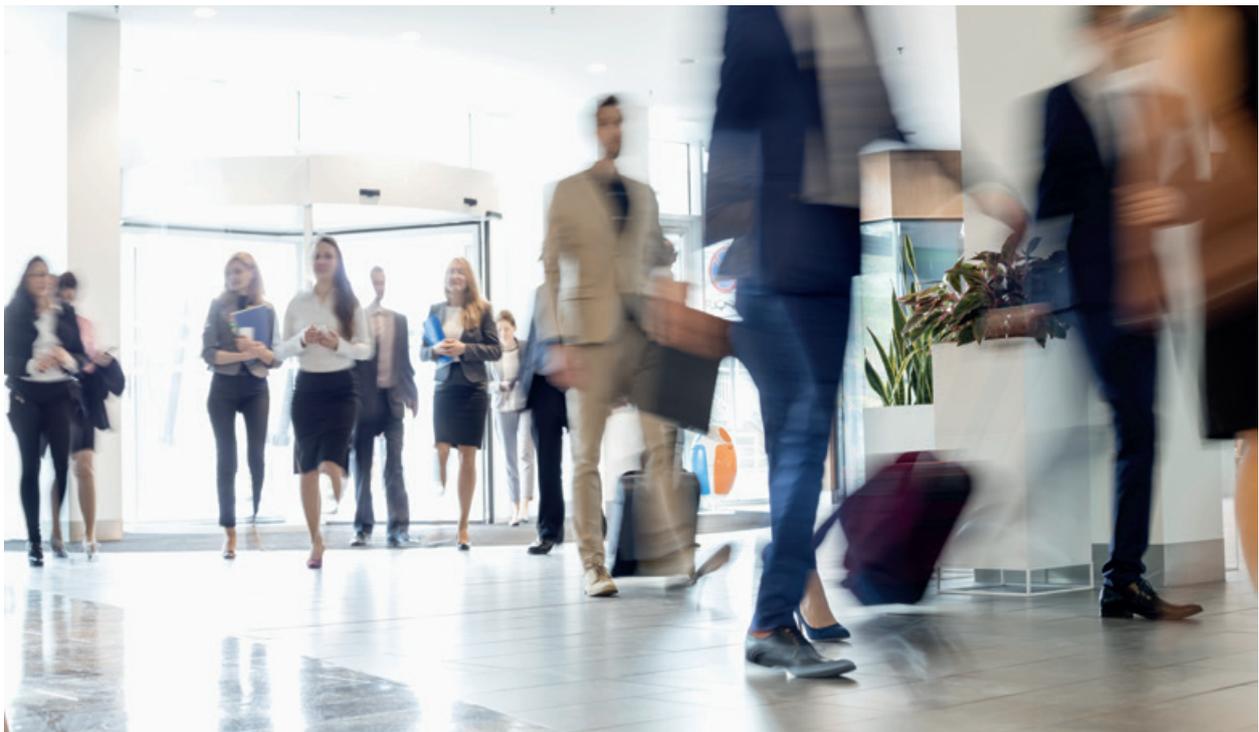
funding in the capital markets. It is measured using two yardsticks: in the short-term, focused on the income statement, and in the long-term, focused on enterprise value, including the capacity to generate cash-flow and its stability, variations in the funding structure, and volatility in the applicable discount rates.

- **Credit risk**

Understood as the risk to the financial solvency of the company's receivables. It also incorporates the short-term measurement of returns on placing cash surpluses with financial institutions, the aim being to select the most efficient portfolios.

- **Operating risk**

Understood as the possibility of financial losses as a result of failures in processes, internal systems or other factors. It enables risk to be measured objectively, which is decisive for raising awareness within the company and for improving management of exposure, all of which have an essential impact on the reinsurance market's perception of Naturgy's operational excellence.



Main Risks

Risk type		Description
Market risks		
Commodity prices	Gas	Volatility in the international markets that set gas prices.
	Electricity	Volatility in the Spanish and Portuguese electricity markets.
Volume	Gas	Mismatch between gas supply and demand.
	Electricity	Reduction of the available thermal gap. Uncertainty about volume of hydroelectric output.
Regulatory		Exposure to regulatory review of the criteria and returns recognised for regulated activities.
Exchange rate		Volatility in international currency markets.
Interest rate and credit spread		Volatility in funding rates.
Tax		Ambiguity or subjectivity in the interpretation of current tax regulations, or due to a material amendment of same.
Credit risk		
Credit		Uncertainty about performance of bad debt ratios as a result of the economic cycle.
Operating risk		
Insurable risks		Accidents, damage and non-availability of Naturgy assets.
Image and reputation		Impaired perception of Naturgy by stakeholders.
Environment		Harm to the natural and/or social environment.
Climate change		Business impact of measures to combat climate change. Effect of climate management on the company's valuation. Growing exposure of facilities to natural catastrophes in an increasingly restrictive reinsurance market.
Cybersecurity		Cyberattacks.

Note:

Financial risks (interest rate, exchange rate, commodities prices, credit risk and liquidity risk) are discussed in Note 14 to the Consolidated Annual Accounts.

Management approach	Metric	Trend
Physical and financial hedges. Portfolio management.	Stochastic	↑ Decoupling of long-term contracts from hub prices.
Physical and financial hedges. Optimisation of the power generating fleet.	Stochastic	↑ Penetration by renewables with zero marginal cost and intermittent production.
Optimisation of contracts and assets worldwide.	Deterministic Stochastic	← → Aggregate demand pressure in Spain in a context of energy efficiency.
Optimisation of the balance between supply and generation.	Stochastic	↑ Aggregate demand pressure in Spain in a context of energy efficiency.
Step up communications with regulators. Adjust efficiency and capital expenditure to recognised rates.	Scenarios	↑ Different business units at different stages of maturity.
Geographic diversification. Hedging via local-currency funding and derivatives. Monitoring the net position.	Stochastic	← → Uncertainty about growth prospects in Latin America.
Financial hedges. Diversification of funding sources.	Stochastic	← → Uncertainty about the interest rate scenario.
Queries to independent expert bodies. Engagement of top-level advisory firms. Adoption of the Code of Best Tax Practices. Recognition of provisions on a prudential basis.	Scenarios	← → Different business units are affected by different taxes.
Analysis of customer solvency to define specific contractual conditions. Debt collection process.	Stochastic	← → Pursues efficiency in debt collection.
Continuous improvement plans. Optimisation of total cost of risk and of hedges.	Stochastic	↑ Growing tension in the insurance market in the face of natural catastrophes.
Identification and tracking of potential reputational events. Transparency in communication.	Scenarios	← → Stabilisation of MERCO index score.
Emergency plans at facilities with risk of environmental accident. Specific insurance policies. End-to-end environmental management.	Scenarios	↓ Implementation of an Integrated Management System that is audited and certified each year by AENOR.
Corporate positioning via the Global Environmental Policy and Environment Plan, which strengthen governance in climate issues and set emission reduction targets.	Stochastic Scenarios	↑ Uncertainty about policy developments to encourage energy efficiency.
Implementation of security measures. Event analysis and remediation measures. Training.	Scenarios	↑ The cybernetic scenario is becoming more demanding. Threat Protection Plan to mitigate the likelihood of these risks and their associated impact.

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.

Opportunities

Naturgy's main opportunities are as follows:



Renewable generation

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



Generation mix

Naturgy's generating fleet, which is dominated by CCGTs, has the necessary flexibility to adapt to different market situations and is a valuable asset for seizing opportunities related to volatility in prices and demand volume in the gas and electricity markets.



Portfolio of natural gas procurements

Management of gas pipelines, stakes in plants and the fleet of LNG carriers make it possible to meet the needs of the group's various businesses in a flexible, diversified way by optimising for different energy scenarios.



A balanced structural position

In businesses and regions, many of them with stable flows that are independent of commodity prices, making it possible to optimise the capture of energy demand growth and maximise new business opportunities in new markets.



Technological development and innovation

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



Trust

Good corporate governance creates confidence and stability and, to this end, Naturgy promotes strategic and pioneering guidelines to ensure the quality, reliability and transparency of information, ensuring the good management and administration of the company in such a way as to protect the rights of its shareholders, stakeholders and society as a whole.



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Corporate Governance

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Corporate Governance Model

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

The corporate governance terms of reference comprise basically:

- Articles of Association (updated in 2018).
- Regulations of the Board of Directors and its committees (updated in 2019).
- Regulations of the General Shareholders' Meeting (updated in 2018).
- Human Rights Policy.
- Code of Ethics (updated in 2015).

Stake_

(at 31 December 2019 and 2018) (%)

	2019 ⁽⁴⁾	2018 ⁽³⁾
Criteria Caixa and associates	24.4	25.6
Global Infrastructure Partners III ⁽¹⁾	20.3	20.0
CVC Capital Partners SICAV-FIS, S.A. ⁽²⁾	20.4	20.1
Sonatrach	4.1	3.9

⁽¹⁾ 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.

⁽²⁾ Through Rioja Acquisition S.à.r.l. Rioja Bidco Shareholdings, S.L.U. was merged into Rioja Acquisition S.à.r.l. in 2019.

⁽³⁾ On 22 February 2018, Repsol, S.A. concluded an agreement with Rioja Bidco Shareholdings, S.L.U., a company controlled by funds advised by CVC, for the sale of 20.072% of the capital of Naturgy Energy Group, S.A. On 18 May 2018, the transaction was completed and Repsol, S.A. ceased to be a shareholder of that company.

⁽⁴⁾ Capital Research and Management Company, which owned 3.0% of capital as of 31 December 2019, is not included on the grounds as it is considered floating capital as the stake occasionally rises above or falls below the 3% threshold.

Following the changes in ownership structure, on 27 June 2018 the General Shareholders' Meeting approved the reduction in the number of members of the Board of Directors to 12. In addition, the Executive

Committee was eliminated and the number of members of the Audit Committee was set at seven persons and the number of the Appointments and Remuneration Committee members was set at seven persons.

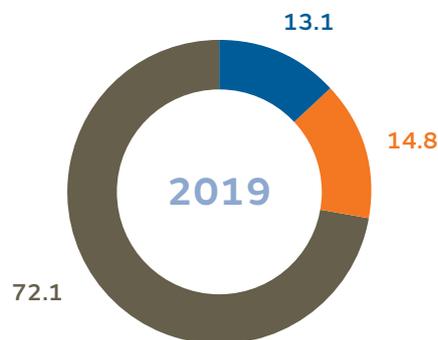


General Shareholders' Meeting

—

Any shareholder who owns at least **1 share** is entitled to attend, provided that ownership of their shares is registered five days prior to the date.

Attendance at the General Shareholders' Meeting _ (%)



Quorum of attendance

↑ **85.2%**

83.8% in 2018

Board of Directors

—

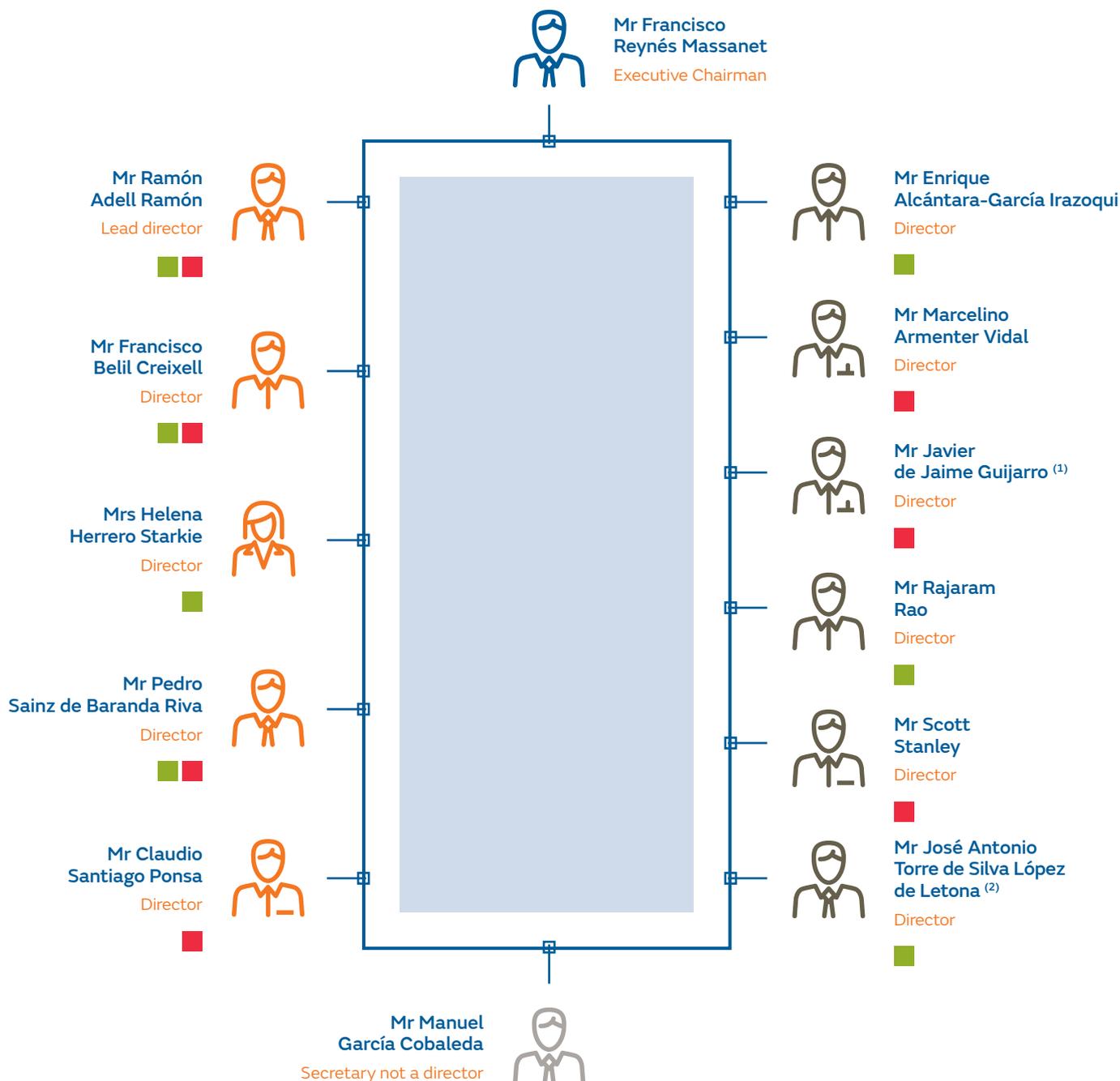
The Board of Directors of Naturgy operates via plenary meetings and committees, in accordance with the requirements of the Capital Companies Act. Accordingly, the Board of Directors of Naturgy has an Audit Committee and an Appointments and Remuneration Committee, whose functions are as set out in the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

The main issues addressed by the Board of Directors in 2019 are as follows:

- Reflection on strategy.
- 2019 Budget and continuous operational oversight.
- Health and safety issues.
- Financial and accounting information.
- Proposal for the distribution of 2019 income and shareholder remuneration.
- Corporate governance: improvements in aspects of corporate governance in order to adapt to the recommendations of the CNMV, and approval of the annual reports on corporate governance and directors' remuneration, among other mandatory reports.
- Notice of the General Shareholders' Meeting: motions proposed by the Board, reports and supplementary documentation.
- Selection and proposals for appointments in the governing bodies.
- Employee remuneration.
- Funding Strategy.
- Analysis of the main projects.
- Main regulatory decisions.
- Cybersecurity.



Composition_
At 31 December 2019



Category of director

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

Type of committee

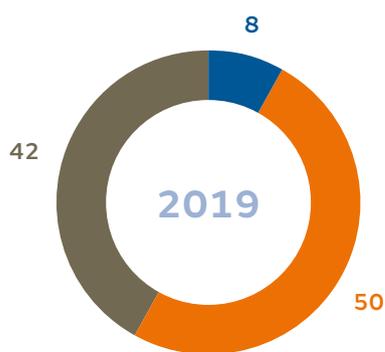
■ Audit Committee. ■ Appointments and Remuneration Committee.

⁽¹⁾ Rioja S.À.R.L. substituted Rioja Bidco Shareholdings, S.L.U. as Director in August 2019.

⁽²⁾ Theatre Directorship Services Beta, S.À.R.L.

Board of Directors profile_

(%)



Type of director

- Executive.
- Proprietary.
- Independent.



Skills

- Industrial engineering and energy.
- Legal and administration.
- Finance, accounting and audit.
- Management.
- IT & International management.

Board of Directors activities and performance_

(No. of meetings)

	2019	2018
Board of Directors	16	14
Executive Committee	(Eliminated)	2
Audit Committee	6	7
Appointments and Remuneration Committee	6	11

- The Board of Directors of Naturgy exercises the functions entrusted to it by the Law. To this end, it has an Audit Committee and an Appointments and Remuneration Committee. Both have a **majority of independent directors** in their composition.



**Mr Francisco
Reynés Massanet**

Executive Chairman

Management structure

Naturgy's management structure consists of four business units (Gas & Power, Infrastructure EMEA, Infrastructure South LatAm and Infrastructure North LatAm) as well as corporate units to ensure centralised control.

Senior Management is defined as meaning the executives who report directly to the **Executive Chairman, Mr Francisco Reynés Massanet**. As of 31 December 2019, it comprised the following executives:

Business Units

Mr Manuel Fernández Álvarez | Gas & Power

Mr Antonio Gallart Gabás | Infrastructure South LatAm

Mr José García Sanleandro | Infrastructure North LatAm

Mrs Rosa María Sanz García | Infrastructure EMEA

Corporate Units

Mr Miguel Aller Blanco | LEAN project

Mr Carlos J. Álvarez Fernández | Finance

Mr Antonio Basolas Tena | Strategy and Development

Mr Steven Fernández Fernández | Capital Markets

Mr Jon Ganuza Fernández de Arroyabe | Controlling

Mr Manuel García Cobaleda | Company and Board Secretariat

Mr Jordi Garcia Tabernero | Communication and Institutional Relations

Mr Antoni Peris Mingot | Resources

Remuneration policy

Board of Directors

The annual report on directors' remuneration was presented as a separate item for a consultative vote at the Shareholders' Meeting in 2019.

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

Remuneration for membership of the Board of Directors and its committees_ (Euros/year)

	2019
Chairman of the Board of Directors	1,100,000
Director	175,000
Lead director	30,000
Committee chairman	90,000
Committee member	60,000



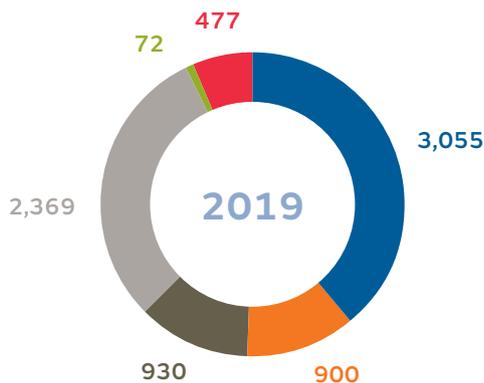
The Executive Chairman's remuneration policy

Item	Objective	Criteria
Basic fixed annual remuneration	Remunerate the level of responsibility attached to these functions.	Ensure that the remuneration is competitive vis-à-vis comparable companies.
Annual variable remuneration	Tie remuneration to the company's performance in the short-term.	<p>Based on 100% of the total fixed annual remuneration, multiplied by the degree to which the goals were actually achieved in the year. Achievement is capped at 150%. No remuneration is payable if goal achievement is less than 80%. It can be settled (fully or partially) as a contribution to the pension plan instead of cash annually if agreed by the parts.</p> <p>The goals and weightings for 2019 were as follows: 20% organic growth Capex (1/3 maximisation maintenance Capex, 1/3 improvement growth Capex IRR and 1/3 improvement growth investments), 25% operational efficiency, 30% free cash-flow before Capex, 15% comparable consolidated profit, and 10% other qualitative aspects.</p>
Long-term Incentive Plan	Strengthen the commitment to achieving the goals set out in the Strategic Plans.	Related to the return obtained by shareholders in the period of reference, which coincides substantially with that of the Strategic Plan 2018-2022.

■ Objectives and weighting 2019

20% organic growth Capex, 25% operating efficiency, 30% free cash-flow before Capex, 15% comparable consolidated profit and 10% other qualitative aspects.

Total remuneration earned by the Board of Directors, by type_
(thousand euro)



Total remuneration

↓ **€7,803** thousand

€22,724 thousand in 2018

- For sitting on the board.
- Fixed remuneration.
- Other items.
- For sitting on the board committees.
- Short-term variable remuneration.
- Pension plans & life insurance.

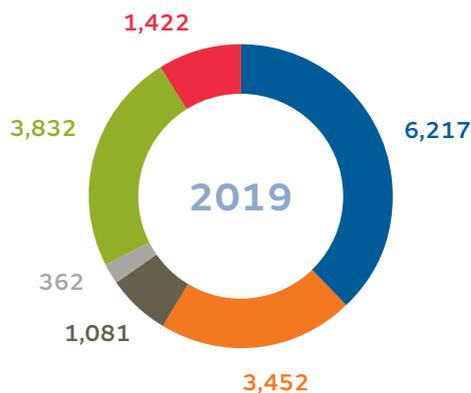
Note:
The 2019 figure includes contributions to pension plans not considered in 2018.

Executives

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

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

Total remuneration earned by the Management Committee and head of Internal Audit ⁽¹⁾, by type_
(thousand euro)



Total remuneration

↓ **€16,366** thousand

€17,940 thousand in 2018

- Fixed remuneration.
- Short-term variable remuneration.
- Pluri-annual variable remuneration.
- Other items.
- Termination benefit.
- Pension plans & life insurance.

Note:
The 2019 figure includes contributions to pension plans not considered in 2018.

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



Simplicity

It is about focusing on the essentials. It is about focusing on the importance of people, teamwork and making our processes simpler and more agile. Simplicity connects us with our essence, with what we are and with the core of our activity. Managing with this approach makes a difference.





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Business Model and value creation

—

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Value creation and sustainable management | **52**



Business Model

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



Our mission

Meet the needs of:

Shareholders | Customers | Employees | Society



Our vision

Shareholders

Offering increasing sustainable profitability.

Customers

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

Employees

Offering opportunities for professional and personal development.

Society

Contributing positively through a global commitment.



Our values

Commitment to results.

Customer-oriented.

Sustainability.

Interest in people.

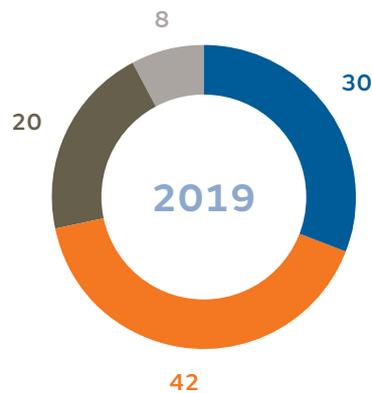
Social responsibility.

Integrity.

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

Ordinary Ebitda by business_

(%)



■ Gas & Power (Spain, Europe and Latin America).
 ■ Infrastructure EMEA (Spain and Africa).

■ Infrastructure South LatAm (Latin America).
 ■ Infrastructure North LatAm (Latin America).

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

- **Naturgy develops other business lines, such as energy services,** which encourage diversification of activities and revenue, anticipating **market trends in order to deal with the needs of customers** and be able to offer them a comprehensive service.

Worldwide presence

Algeria

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

Argentina

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

Australia

Wind generation (96 MW).

Belgium

NG/LNG commercialisation.

Brazil

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

Chile

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

China

NG/LNG commercialisation.

Costa Rica

Generation (101 MW, hydraulic).

Dominican Republic

Generation (198 MW, fuel-oil).

Egypt

NG/LNG supply and infrastructure (Damietta liquefaction plant).

France

NG/LNG commercialisation. Montoir regasification.

Germany

NG/LNG commercialisation.

India

NG/LNG commercialisation.

Ireland

NG/LNG and electricity commercialisation.

Japan

NG/LNG commercialisation.





Business lines

Leadership in the gas business

	Networks	Gas
	Gas distribution	Infrastructure
	11.1 million distribution connections. 133,917 km of network.	Eight long-term LNG carriers. Two transportation pipelines, Maghreb-Europe (EMPL) and Medgaz.
Our positioning	<p>Spain Leader in Spain with a 69% market share, distributing natural gas to more than 1,000 municipalities in nine autonomous regions and 5.4 million customers.</p> <p>Latin America Latin America's top distributor, catering for more than 5.7 million customers. Presence in Argentina, Brazil, Chile, Mexico and Peru and in five of the ten largest Latin American cities.</p>	<ul style="list-style-type: none"> ▪ Eight LNG carriers (1.3 Mm³). ▪ Management of the main gas pipeline supplying the Iberian Peninsula, the Maghreb-Europe pipeline (EMPL), and a 14.9% interest in the Medgaz pipeline ⁽¹⁾. ▪ Stake in the Ecoeléctrica regasification plant and two liquefaction plants (Damietta and Qalhat). ▪ 0.5 bcm of company-owned storage capacity and 0.9 bcm of leased capacity.
Our strength	Naturgy is a leader in the markets where it operates, affording it an excellent platform for organic growth, in terms both of attracting new customers in municipalities with gas and of expanding networks to areas without gas.	<p>Naturgy has an integrated gas infrastructure that affords it considerable stability, making its operations more flexible and enabling it to transport gas to the best business opportunities.</p> <p>Storage capacity enables it to ensure a constant supply, avoiding the impact of seasonal fluctuations or peaks in demand.</p>

⁽¹⁾ An agreement for the purchase of an additional 34.05% subject to certain conditions was reached on 15 October 2019.

- 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.

Procurement

A supply portfolio totalling ~30 bcm.

Business Model based on diversification and flexibility that have made Naturgy a global operator with a strong international profile.

Naturgy has procurement contracts with suppliers worldwide, both in a gaseous state (NG) and in the form of liquefied natural gas (LNG).

A diversified, flexible portfolio of procurement contracts, enabling it to address value-added markets.

Supply

339 TWh of gas supplied.

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

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

26% market share in Spain.

Competitive supply to combined cycle plants (CCGT).

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

Its positioning in international markets is aimed at extracting additional margins through appropriate supply business.

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



A key player in the electricity business

	Networks	Description
	Electricity Distribution	Generation
	7.7 million supply connections. 218,831 km of network.	16.9 GW of power generation capacity.
Our positioning	<p>Spain The third-largest operator in the Spanish market, where it distributes electricity to 3.8 million customers.</p> <p>Latin America Presence in Argentina, Chile and Panama (3.9 million customers).</p>	<p>Spain Capacity of 13.7 GW, with a significant presence in five technologies: 7.4 GW CCGT, 2 GW hydroelectric, 1.7 GW coal, 2 GW renewable and 0.6 GW nuclear. Naturgy has a market share of 17.4% in non-renewable generation and 2.1% in renewable generation.</p> <p>International Capacity of 3.2 GW: 2.4 GW CCGT (Mexico), 0.2 GW oil-fired (Dominican Republic), 0.1 GW hydroelectric (Costa Rica and Panama) and 0.5 GW renewables (Mexico, Australia and Brazil).</p>
	<p>Our strength</p> <p>Naturgy is a leader in the markets where it operates. Naturgy is an efficient operator in terms of operation and maintenance costs in the electricity distribution business.</p>	<p>The company 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's good positioning in Spain and Latin America will enable it to make the best of investment opportunities in generation.</p>

- The company 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.

Supply

25.0 TWh supplied.

Leader in the mainstream consumer and residential segments, with a total market share of 10% in Spain.

One of the main traders in the Spanish market.

A dual fuel supply and a broad range of value-added services.

Being a leader in the combined supply of natural gas and electricity affords the company major advantages, such as lower service costs, integrated customer care and lower acquisition costs, not to mention greater customer loyalty.



Value creation and sustainable management

The long-term commitment to value creation and sustainable management is specified in the Corporate Responsibility Policy, which provides the common framework for action that guides the company's socially responsible conduct; it was approved and updated by the Board of Directors in January 2019, based on international best practices and the recommendations enshrined in the Code of Good Governance of Listed Companies.

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



01

Commitment to results



02

Service excellence



03

Responsible environmental management



04

Interest in people



05

Health and safety



06

Responsible supply chain



07

Social commitment



08

Integrity and transparency

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

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

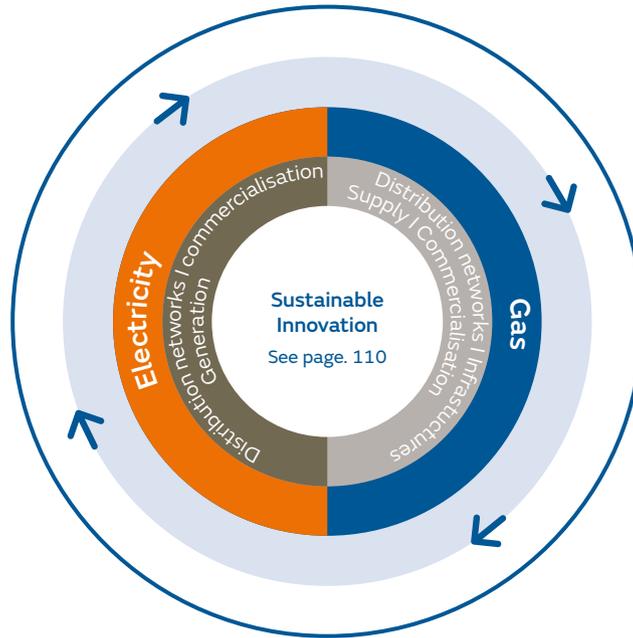
	Financial	Human	Manufactured	Environmental	Social
Our capitals	<p>Sustainable cash generation. Free cash-flow: €1,958M</p> <p>Strict financial discipline. Indebtedness: 52.2%</p>	<p>Professional development and talent management. Diversity and equality. Extending principles to the supply chain.</p>	<p>Investment and maintenance in gas and electricity distribution networks. Sustainable innovation. Operation and development of electricity production capacity.</p>	<p>Environmentally-friendly products and services. Energy efficiency. Undertaking to reduce emissions.</p>	<p>Relations and dialogue with stakeholders. Guarantee of supply.</p>

Strategic planning cycle

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The strategic planning cycle
Forecast Naturgy performance.
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External environment

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



Corporate Governance

Our commitments

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

Internal environment

Further information
External environment
Market trends, risks and opportunities.
Page 21

Our results
Our stakeholders

<p>Dividends policy. Paid dividends: €1,319M</p> <p>Meeting financial targets. Ordinary Ebitda: €4,668M Ordinary net profit: €1,432M</p>	<p>Corporate University and training plans. Staff trained: 85.8%</p> <p>Retaining talent. Voluntary rotation: 2.7</p> <p>Health and safety. Accident frequency index: 1.2</p>	<p>Gas distribution: 468,844 GWh</p> <p>Electricity distribution: 53,519 GWh</p> <p>Gas supply: 339,252 GWh</p> <p>Net production: 44,704 GWh</p>	<p>Direct GHG: 15.4 MtCO₂ eq.</p> <p>CO₂ emissions/generation: 301 tCO₂/GWh</p>	<p>Economic value distributed: €21,533M</p> <p>Social investment: €8M</p>
Shareholders	Employees	Customers	Customers Society	Society

In 2019, Naturgy developed a 2019-2022 Sustainability Master Plan to accompany the company's transformation process and which is aligned with the Strategic Plan 2018-2022, in order to facilitate compliance with the strategy, seize opportunities in terms of sustainability and develop actions, and the objectives for such actions, in line with the commitments of the Corporate Responsibility Policy and the Sustainable Development Goals (SDGs).

The 2019-2022 Sustainability Master Plan was based on a materiality analysis that included an internal analysis which considered the Strategic Plan, the risk map, the annual reports, the Corporate Responsibility Policy, the code of ethics and other internal policies, as

well as internal documentation on ESG performance. There was also an external analysis that considered regulatory and industry trends and the requirements of analysts, investors, competitors and the mass media. The analysis identified 33 key issues for the company and its stakeholders.

The plan focuses on, and is oriented towards, enhancing those facets of the industry transformation where the company is lagging. To this end, four drivers were established that encompass 30 actions: Innovation for the customer, Commitment and talent, opportunities offered by environmental challenges and renewable energy, and Integrity and transparency.

- **The Sustainability Master Plan establishes four drivers:** innovation for the customer, commitment and talent, opportunities offered by environmental challenges and renewable energy, and integrity and transparency.



Accountability

At Naturgy we know that nothing would be possible without the talent of our team. A team that is committed, adaptable, diverse, open to change and aligned, not only with the achievement of targets, but also with the learning process that allows us to learn from mistakes and to progress. Trust and participation are key to generating new ideas and skills. Shared responsibility is how knowledge or feeling has a ripple effect and contributes to exceptional results.

Naturgy 





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Business performance and results

—

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Analysis of results by segment | **68**

Cash-flow | **90**

Financial position | **94**

Executive summary

Significant facts

- The year 2019 has been marked by growth in international activities and efficiencies across businesses, which have compensated for a more challenging energy scenario in liberalised activities vs. last year. All in all, ordinary Ebitda and Net income reached Euros 4,668 million and Euros 1,432 million respectively in the period (up 6% and 15% vs. last year), meeting the company's targets for the year.
- Since the launch of the Strategic Plan 2018-2022, Naturgy has taken decisive steps towards supporting the energy transition. We were the first Spanish energy group to request permission to shut down its coal plants in Spain in 2018, and during 2019 we became one of the leading investors in clean technologies in the country, allocating over Euros 400 million to develop renewable projects, the highest in the company's history.
- The company has also continued to invest in renewable projects abroad, deploying Euros 145 million in growth projects in Australia and Chile. As a result, Naturgy's total installed renewable capacity increased to 2,580 MW as at the end of 2019, representing a 45% growth over the year. The company's efforts have resulted in reduced direct CO₂ emissions (MtCO₂) and emission factor (tCO₂/GWh) by 16% and 12% respectively during the year. We expect additional reductions over the coming years.
- We also support the ongoing energy transition through the investments in our regulated businesses, notably in electricity networks in Spain and internationally, having invested approximately Euros 500 million during the year.
- All in all, over 60% of the company's total Capex has been deployed in renewables and electricity networks over the period, vs. approximately 50% during 2018.
- Our continued efforts in environmental, sustainability and governance best practices (ESG), have not gone unnoticed, and Naturgy has been recognised as a world leader in the gas utilities sector for the third consecutive year in the Dow Jones Sustainability World Index (DJSI World), a global benchmark in measuring ESG's best corporate practices.
- 2019 has also been a year of important regulatory developments. On July, the CNMC released a series of draft proposals for the circulars establishing the remuneration methodology of electricity distribution and transportation activities (2020-2025), as well as gas distribution and transportation and regasification activities (2021-2026). Said proposals were amended before the end of the year following a period of allegations from all stakeholders. As of the date of this report, the new regulation for electricity distribution and transportation activities covering 2020-2025 has been approved and is currently in force. On the other hand, the regulation for both gas distribution and transportation and regasification activities for the next regulatory period (2021-2026) remains to be approved.
- Throughout this process, the company has undertaken a relentless effort to protect the interests of all its stakeholders, advocating for a fair and objective regulatory methodology. A framework which provides visibility and the adequate incentives to execute the investments needed to support the energy transition. The company remains firmly committed to adapt its business in order to protect the interests of all its stakeholders.
- Naturgy continues implementing its efficiency plan with an acceleration which has delivered Euros 270 million cost savings in 2019, above the initial Euros 100 million commitment for the year. Efficiencies will remain a key driver of performance in the following years and the group reiterates its firm commitment to its 2022 efficiency targets.

During 2019, the company has completed various outsourcing initiatives (LEAN Project), including agreements with Telefónica, IBM or Everis. To streamline our operations, with over 250 efficiency measures underway including digitisation and office reallocations.

- Portfolio optimisation is also a driver of the company's strategy, and the latest corporate transactions demonstrate its ability to create value through portfolio management and asset rotation, simplifying its business positioning and geographic footprint.
 - During 2019, Naturgy completed the sale of its Moldovan subsidiaries for an equity valuation of Euros 141 million (including pre-closing dividends). Also during the year, Naturgy completed the disposal of Transemel, an electricity transmission subsidiary in Chile, for an equity consideration (100%) of Euros 155 million and an Enterprise Value of Euros 182 million, equivalent to approximately 23.5x EV/Ebitda 2018.
 - On the acquisition front, in October, Naturgy reached an agreement to acquire a 34% stake in Medgaz for Euros 445 million. The transaction will allow the company to reach a 49% stake in Medgaz, thus transforming its position into a strategic stake which will allow the joint control of the Medgaz together with Sonatrach. The transaction was agreed at a multiple equivalent to 6.9x the expected Ebitda in 2021, which includes the approved 2bcm expansion programme of the current pipeline.
 - Finally and also during 2019, CGE, Naturgy's subsidiary in Chile, completed an asset swap in Argentina, whereby CGE transferred its 50% stake in 2 electricity distribution subsidiaries in exchange for a 50% stake in a gas distribution subsidiary and the associated commercialisation in the country. As a result, CGE now controls and consolidates 100% of the aforementioned gas distribution subsidiaries.
- The company will continue to actively pursue value creation through asset rotation and is currently analysing a number of opportunities, both potential divestments and acquisitions.
- We also continued to work on improving the risk profile of our merchant activities. A good example of these efforts could be International LNG where we increased the amount of volumes secured for the year ahead to approximately 90% of its 2020 LNG volumes (up from 80% the previous year). In power supply, Naturgy has reduced its portfolio of fixed price sales contracts with a view to reduce pool price risk by matching fixed contracts to the company's infra marginal production via PPA's.
- Net debt as of 31 December 2019, under IFRS 16 criteria, stood at Euros 15,268 million, down from Euros 15,309 million as of year-end 2018. During the period, the company continued to progress on its capital structure optimisation. Some of the transactions completed during 2019 include, a new syndicated loan in international power generation amounting to US Dollars 1.5 billion. We also executed a liability management exercise completed in November whereby Naturgy executed the repurchase of Euros 653 million in existing notes and issued a new bond of Euros 750 million with a tenor of 10 years at a cost of 0.75%. The company continues to optimise the financing allocated into each of the business units for greater accountability and funding autonomy, in the same currency where cash-flows are originated, allowing for intra-group debt cancellation.
- Naturgy maintains a balanced capital allocation and a sustainable dividend policy. Its solid results and increased focus on cash-flow generation have allowed it to maintain its net debt levels stable in the period, after the cash outflows related to shareholder remuneration and the investments in the development of its renewable projects and networks businesses. The company maintains a balanced capital allocation policy, devoting substantial investment for growth, keeping its net debt levels stable and delivering an attractive shareholder remuneration.
- Naturgy delivers its shareholder remuneration policy (Euros 1.37/share dividend from the 2019 results and potential Euros 400 million share buy-back) with the last proposal of dividend against 2019 results to be distributed in March following the General Shareholders' Meeting approval. In addition and as envisioned on its Strategic Plan 2018-2022, Naturgy completed the cancellation of 16,567,195 own shares on 5 August 2019, equivalent to approximately 1.7% of the share

capital of the company. The share capital of the Company resulting from the reduction was set at 984,122,146 shares. The company's share buy-back programme is ongoing and since July 2019 we have bought back Euros 121 million worth of shares until the 31 December 2019 and are on track to complete the second Euros 400 million tranche of its buy-back by the end of June 2020.

- In conclusion, Naturgy continues to make steady progress on the implementation of its Strategic Plan in order to become more predictable and less volatile, more focused on core businesses and geographies, as well as more electric and supportive of the energy transition, with the objective of generating long-term value of all its stakeholders, in a sustainable and environmental fashion.

Summary 2019 results

- 2019 has been marked by growth in international activities and active operational management across businesses, which have compensated for a more challenging energy scenario. All in all, ordinary Ebitda and Net income reached Euros 4,668 million and Euros 1,432 million respectively in the period (up 6% and 15% vs. last year), delivering on the company's targets, despite the more challenging energy scenario.
- On the Infrastructure side, the regulatory updates in Latin America recognising prior FX and inflation movements, together with stability in the European operations, contributed to an overall positive performance in the period.
- In Gas & Power, 2019 has been driven by a notable improvement in G&P services sales, which experienced margin recovery in power supply, offsetting a challenging scenario in International LNG markets and Europe Power generation. The company's new commercial policies and de-risking efforts, together with efficiencies, also helped offset the low gas prices in the period.
- Total Capex amounted to Euros 1,685 million in the year, mainly reflecting ongoing investments in renewable projects as well as investments in remunerated networks.
- As of 31 December 2019, net debt amounted to Euros 15,268 million, stable vs. last year, thanks to the increased focus on cash-flow generation of the company and despite the substantial investments for growth in energy transition assets and its shareholder remuneration commitments. As a result, Net Debt / Ebitda declined to 3.3x from 3.8x as of 31 December 2018.
- All in all, 2019 results continue to illustrate Naturgy's capacity to deliver on its commitments, as well as its balanced capital allocation, pursuing profitable growth and an attractive shareholder remuneration, while maintaining stable debt levels.

Key comparability factors and non-ordinary items

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Changes to the consolidation perimeter

The main transactions completed in 2019 with an impact in comparability in the 2019 vs. 2018 results are the following:

- On April 2019 Naturgy completed the sale of 45% of its interests in its associated affiliate Torre Marenostrum, S.L. to Inmobiliaria Colonial for Euros 28 million, generating capital gains of Euros 20 million.
- On 30 July 2019, CGE, Naturgy's subsidiary in Chile, completed an asset swap in Argentina, whereby CGE will now control and consolidate 100% of the gas distribution subsidiaries, while formerly co-controlled electricity distribution subsidiaries are no longer within Naturgy's consolidation perimeter. The impact in 31 December 2019 Ebitda from this asset swap is Euros 8 million.
- On 31 July 2019 Naturgy completed the sale of 100% of its electricity distribution subsidiaries in Moldova. The transaction valued the company's equity at Euros 141 million (including pre-closing dividends) and did not generate significant capital gains for Naturgy. The contribution of this business in 2018 was the result of discontinued operations Euros -56 million, including a write-down of Euros 73 million.
- On 19 September 2019 Naturgy reached an agreement to sell its entire stake in Iberafrica Power, in Kenya. The contribution of this business in 2018 was Euros -5 million, recognised under "Income from discontinued operations" in the consolidated income statement.

- On 1 October 2019, the group completed the disposal of Transemel, an electricity transmission subsidiary in Chile, for an equity consideration (100%) of Euros 155 million and an Enterprise Value of Euros 182 million, equivalent to approximately 23.5x EV/Ebitda 2018.
- On 15 October 2019, Naturgy and Sonatrach S.p.A. entered into an agreement with Cepsa for the acquisition of the 42.09% stake that Cepsa holds in Medgaz, S.A. This transaction will allow Naturgy to increase its stake in Medgaz from its current 14.95% to a 49.0%, becoming a strategic stake. Based on the transaction price, Naturgy revalued its former 14.95% stake with a non-ordinary impact of Euros 101 million in its 2019 P&L statement.

The main transactions completed in 2018 with an impact in comparability in the 2019 vs. 2018 results are the following:

- On 1 February 2018, following approval from the Italian competition authorities, the sale of the gas distribution and supply business in Italy, together with the transfer of the gas supply contract was completed. The contribution of these businesses in 2018 was Euros 194 million recognised under "Income from discontinued operations" in the consolidated income statement.
- In May 2018 the sale of the remaining 41.9% of the gas distribution business in Colombia was completed. The contribution of this business in 2018 was Euros 7 million recognised under "Income from discontinued operations" in the consolidated income statement.

- On March 2018, following approval from the competition authorities, the sale of a 20% minority stake in the gas distribution business in Spain for Euros 1,500 million was completed, which resulted in an increase of Euros 1,016 million in the “Reserves” caption in the consolidated balance sheet.
- In December 2018 the sale of Kangra Coal was completed for an equity value of Euros 28 million. The contribution of this business in 2018 was Euros -150 million, including a write-down of the investment for Euros -141 million, recognised under “Income from discontinued operations” in the consolidated income statement.

Non-ordinary items

Detail of non-ordinary items_

(million euro)

	Ebitda		Net Income	
	2019	2018	2019	2018
Gas transport & procurement retroactivity	-	(50)	-	(38)
Chile extraordinary expenses	-	(44)	-	(28)
Restructuring costs	(168)	(180)	(126)	(137)
Asset write-down	-	-	(23)	(3,824)
Discontinued operations and minority interests	-	-	-	49
Chile mergers tax effect	-	-	-	42
CNMC CCGT fine	(20)	-	(20)	-
Provisions reversal	49	-	33	-
Sales of land and buildings	24	18	23	11
Interest in companies sales	-	-	65	-
Liability management cost	-	-	(73)	-
Revaluation of Medgaz	-	-	101	-
Other	9	(138)	(11)	(142)
Total	(106)	(394)	(31)	(4,067)

- At the Ebitda level, non-ordinary impacts in 2019 amounted to Euros -106 million, the bulk of them corresponding to capture costs derived from the implementation of the efficiency plan and the CNMC CCGT fine. These are partially offset by the reversal of provisions and sales of land and buildings.
- At the Net income level, non-ordinary items in 2019 amounted to Euros -31 million. In addition to the impacts previously mentioned, the revaluation of the former Medgaz financial stake generated a positive impact of Euros 101 million. This has been partially offset by the costs of the liability management exercise (Euros -73 million) completed in the fourth quarter of the year.

Foreign exchange impact

Exchange rate fluctuations in the period and their effect_

(million euro)

	2019			
	Acc. average	(%) Change	Ebitda	Net income
USD/€	1.12	(5.1)	47	17
MXN/€	21.56	(5.1)	13	3
BRL/€	4.41	2.3	(7)	(1)
ARS/€ ⁽¹⁾	67.27	56.0	(53)	(28)
CLP/€	786.70	3.9	(19)	(4)
Other	-	-	1	-
Total	-	-	(18)	(13)

⁽¹⁾ Exchange rate as at 31 December 2019 as a consequence of considering Argentina as an hyperinflationary economy.

Analysis of the consolidated results

	Reported			Ordinary		
	2019	2018	Change (%)	2019	2018	Change (%)
Net sales	23,035	24,339	(5.4)	23,013	24,373	(5.6)
Ebitda	4,562	4,019	13.5	4,668	4,413	5.8
Depreciation, amortisation and impairment expenses	(1,658)	(6,007)	(72.4)	(1,601)	(1,581)	1.3
Impairment of credit losses	(134)	(179)	(25.1)	(134)	(165)	(18.8)
Other results	93	-	-	-	-	-
Ebit	2,863	(2,167)	(232.1)	2,933	2,667	10.0
Financial result	(666)	(685)	(2.8)	(604)	(666)	(9.3)
Profit/(loss) of companies measured under the equity method	75	(513)	(114.6)	48	59	(18.6)
Income tax	(476)	779	(161.1)	(510)	(469)	8.7
Income from discontinued operations	-	(10)	-	-	-	-
Non-controlling interest	(395)	(226)	74.8	(435)	(346)	25.7
Net income	1,401	(2,822)	(149.6)	1,432	1,245	15.0

Net sales

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

have not been offset by growth in the infrastructure businesses.



Ebitda

Consolidated Ebitda in the period amounted to Euros 4,562 million, a 13.5% increase vs. 2018, supported by a positive performance in the infrastructure businesses,

the new commercial strategy in supply activity and efficiency gains. Stripping out non-ordinary effects, ordinary Ebitda grew by 5.8%.

Comparative breakdown of Ebitda by business unit_

(million euro)

	Reported			Ordinary		
	2019	2018	Change (%)	2019	2018	Change (%)
Gas & Power	1,441	1,360	6.0	1,420	1,453	(2.3)
Infrastructures EMEA	1,923	1,802	6.7	1,981	1,849	7.1
Infrastructure South LatAm	938	791	18.6	947	846	11.9
Infrastructure North LatAm	376	232	62.1	377	275	37.1
Rest	(116)	(166)	(30.1)	(57)	(10)	-
Total	4,562	4,019	13.5	4,668	4,413	5.8

Ebit (Operating income)

The depreciation, amortisation and impairment expenses in the exercise 2019 amounted to Euros 1,658 million (Euros 6,007 million in the exercise 2018 because of the impairment of assets of Euros 4,333 million booked in 2018).

Impairment of credit losses amounted to Euros 134 million through the Euros 179 million of the previous year, a decrease of 25.1%.

Ebit of the exercise 2019 amounted to Euros 2,863 million.

Financial result

Financial result_

(million euro)

	2019	2018	Change (%)
Cost of net financial debt	(626)	(538)	16.4
Other financial expenses/income	(40)	(147)	(72.8)
Financial result	(666)	(685)	(2.8)

The financial result amounted to Euros -666 million, down 2.8%. The increase in the cost of the net financial debt, and decrease in other financial expenses, is explained by the reclassification, following IFRS 16, of the cost of financial leases to the cost of net financial debt. In relation to this, IFRS 16 has increased the cost of net financial debt by Euros 100 million. At 31 December 2019 results also include Euros 97 million non-ordinary expenses caused by the liability management exercise completed in the last quarter of 2019 and an income of Euros 101 million concerning to the Medgaz revalorisation.

The average cost of gross financial debt for the year 2019 stands at 3.2% (without considering the cost from IFRS 16) and 86% of gross debt is at fixed rates.

Profit/(loss) of companies accounted for using the equity method

Profit/(loss) of companies accounted for using the equity method contributed Euros 75 million in 2019 mostly as a result of the contributions from Ecoeléctrica (Euros 73 million), UF Gas subgroup (Euros -37 million) and CGE subgroup affiliates (Euros 22 million).

Income tax

The effective tax rate as of 31 December 2019 stood at 21%, in line with 2018, estimated without considering the non-ordinary impacts from write-downs and the deferred taxes from mergers in Chile.

Income from discontinued operations

In 2019 there were no contributions from discontinued operations. Their impact in 2018 is detailed below:

Income from discontinued operations_

	2019	2018
Colombia gas		7
Italy		194
Kenya		(5)
Moldova		(56)
Kangra		(150)
Total	0	(10)

Non-controlling interest

The non-controlling interest breakdown_

	2019	2018	Change (%)
EMPL	(61)	(54)	13.0
Nedgia	(83)	(57)	45.6
Other interest	(191)	(55)	-
Other equity instruments	(60)	(60)	-
Total	(395)	(226)	74.8

The increase in other affiliates is mostly explained by the good evolution of the Latin America activities in 2019 as well as the positive impact in this caption of the write-downs made in Kangra and Kenya in 2018.

The other equity instruments caption includes the accrued interest on perpetual subordinated notes (hybrids).

Net income

Net ordinary income in 2019 amounted to Euros 1,432 million, up 15%, excluding non-ordinary items.

Analysis of results by segments

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Gas & Power

Ebitda	Reported			Ordinary		
	2019	2018	Change (%)	2019	2018	Change (%)
Supply of gas, electricity and services	447	164	-	428	238	79.8
International LNG	344	496	(30.6)	312	496	(37.1)
Europe generation	270	411	(34.3)	313	429	(27.0)
International generation	380	289	31.5	367	290	26.6
Total	1,441	1,360	6.0	1,420	1,453	(2.3)

Ordinary Ebitda declined 2.3% during the period, despite a strong performance in Gas, power and service sales as well as International power generation which could not

compensate for the weak performance in International LNG and Europe power generation, as a result of lower sales and margins during the period.



Supply of gas, electricity and services

Ordinary Ebitda reached Euros 428 million in 2019 up 79.8% vs. 2018 mainly as a result of higher margins in power supply, resulting from lower pool prices, the company's new commercial strategy and lower Opex

from efficiencies. These effects were partially offset by lower gas sales and margins, both in the industrial and retail segments.

Results_

(million euro)

	2019	2018	(%)
Net sales	11,420	13,064	(12.6)
Procurement	(10,660)	(12,428)	(14.2)
Gross margin	760	636	19.5
Other revenues	28	10	-
Net personnel expenses	(118)	(134)	(11.9)
Taxes	(13)	(63)	(79.4)
Other expenses	(210)	(285)	(26.3)
Ebitda	447	164	-
Depreciation, amortisation and operating provisions	(142)	(139)	2.2
Operating income	305	25	-

- **Ordinary Ebitda reached Euros 428 million in 2019**, up 79.8% vs. 2018 mainly as a result of higher margins in power supply, resulting from lower pool prices, the new commercial strategy of Naturgy and lower Opex.

Main aggregates. Supply of gas, electricity and services_

	2019	2018	(%)
Gas sales (GWh)	214,975	237,379	(9.4)
Industrial Spain	137,528	160,779	(14.5)
Residential Spain	24,918	27,740	(10.2)
Electricity market (CCC)	20,662	17,112	20.7
Third parties	31,867	31,749	0.4
Electricity sales (GWh)	25,032	35,437	(29.4)
Liberalised market	20,095	30,384	(33.9)
VPSC	4,937	5,053	(2.3)
Residential contracts (Spain) (in thousands) (at 31/12)	11,018	11,470	(3.9)
Gas	3,993	4,174	(4.3)
Electricity	4,213	4,490	(6.2)
Services	2,812	2,806	0.2
Number contracts per client	1.54	1.52	-
Market share of gas contracts (Spain)	50.9	53.3	(2.4 pp)

Gas sales declined by 9.4% during the year, mainly as a result of lower sales in the Spanish industrial and residential segments (-14.5% and -10.2% respectively), as a result of increased competition and mild weather respectively. Those were partially compensated by higher sales to CCGTs (+20.7%) and third parties (+0.4%).

Power sales fell by 29.4% in the year mostly as a result of lower sales in the liberalised market (-33.9%), following our strategy to focus on margins and reduce fixed-price selling contracts to match our infra-marginal production. VPSC sales declined by 2.3%.

International LNG

Ordinary Ebitda reached Euros 312 million, down 37.1% vs. 2018, as a result of lower volumes and margins in the period. As mentioned in the past, market conditions in 2018 were of extraordinarily high gas prices and demand, and should not be considered as a point of reference for year 2019.

The contribution to Ebitda from the maritime transport activity amounted to Euros 190 million (Euros 143 million in 2018).

Results_

(million euro)

	2019	2018	(%)
Net sales	3,018	3,529	(14.5)
Procurement	(2,652)	(3,003)	(11.7)
Gross margin	366	526	(30.4)
Other revenues	17	2	-
Net personnel expenses	(25)	(23)	8.7
Taxes	(1)	0	-
Other expenses	(13)	(9)	44.4
Ebitda	344	496	(30.6)
Depreciation, amortisation and operating provisions	(133)	(75)	77.3
Operating income	211	421	(49.9)

Main aggregates_

	2019	2018	(%)
Gas sales (GWh)	124,277	140,669	(11.7)
Shipping fleet capacity (m ³)	1,811,741	1,293,040	40.1

Volumes sold declined by 11.7% vs. 2018 because of the reduction in short-term sales (-49.9%). Long-term sales continue to show a healthy growth (+37.4%) supported by the commercial efforts intended to reduce margin volatility.

As of 31 December 2019, contracted sales for 2020 stand at 90%.

Europe generation

2019 Ordinary Ebitda amounted to Euros 313 million, down 27.0% vs. 2018, mainly driven by: i) a reduced contribution from ancillary markets as CCGTs become the marginal technology (coal abatement), ii) higher

competition due to excess of gas and low gas prices, iii) suspension of CCGT availability payments, and iv) lower hydroelectric production.

Results_

(million euro)

	2019	2018	(%)
Net sales	1,701	2,050	(17.0)
Procurement	(891)	(1,091)	(18.3)
Gross margin	810	959	(15.5)
Other revenues	14	16	(12.5)
Net personnel expenses	(138)	(140)	(1.4)
Taxes	(222)	(247)	(10.1)
Other expenses	(194)	(177)	9.6
Ebitda	270	411	(34.3)
Depreciation, amortisation and operating provisions	(282)	(4,279)	-
Operating income	(12)	(3,868)	-

Note:

Includes power generation in Spain, both conventional and renewable.

Main aggregates. Market prices_

	2019	2018	(%)
Forward Price (€/MWh) ⁽¹⁾	54.8	55.3	(0.9)
Pool Price (€/MWh) ⁽²⁾	47.7	57.3	(16.8)

⁽¹⁾ Monthly average of the 12-month forward Spanish base prices in the Iberian Energy Derivatives Exchange (OMIP) in the period.

⁽²⁾ Average price in the daily power generation market.

Main aggregates. Installed capacity_

	2019	2018	(%)
Installed capacity (MW)	13,724	12,504	10.1
Generation	11,751	11,325	3.8
Hydroelectric	1,954	1,954	-
Nuclear	604	604	-
Coal	1,766	1,766	-
CCGTs	7,427	7,001	6.1
Renewable and cogeneration output	1,973	1,179	70.6
Wind	1,561	1,012	58.0
Small hydroelectric	111	109	1.5
Solar	250	-	-
Cogeneration and other	51	58	(12.1)



Main aggregates. Electric energy produced and Electricity sales_

	2019	2018	(%)
Electric energy produced (GWh)	25,771	28,307	(9.0)
Generation	22,596	25,736	(12.2)
Hydroelectric	2,816	3,344	(15.8)
Nuclear	4,542	4,422	2.7
Coal	699	3,693	(81.1)
CCGTs	14,538	14,277	1.8
Renewable and cogeneration output	3,175	2,571	23.5
Wind	2,258	1,958	15.3
Small hydroelectric	544	549	(0.9)
Solar	226	-	-
Cogeneration and other	147	36	-
Market share of generation	16.1	17.5	(1.4) pp

Total production declined by 9%, although unevenly split: coal and hydroelectric production fell by 81.1% and 15.8% respectively, while renewable production (driven by new installed capacity) increased by 23.5%. CCGT's production grew slightly in the year (+1.8%).

Pool prices decreased vs. 2018, averaging Euros 47.7/MWh in 2019, down 16.8% as a result of coal abatement and lower gas prices, most notably in the second half of 2019.

Naturgy continued to increase its exposure to renewable through the development of 667 MW of wind and 250 MW of solar projects awarded in the Spanish auctions, of which close to 800 MW came into operation during 2019. As such, the operating installed capacity as of 31 December 2019 reached 1,973 MW, a 67.4% increase over 2018.

- **Naturgy continued to increase its exposure to renewable** through the development of 667 MW of wind and 250 MW of solar projects awarded in the Spanish auctions, of which close to 800 MW came into operation during 2019.

International power generation (GPG)

Ordinary Ebitda in the period reached Euros 367 million, up 26.6% vs. 2018. Growth was supported by i) new installed capacity put into operation in Brazil

and Australia in 2018, ii) higher margins and sales, and iii) efficiency improvements. The above were also supported by the favourable FX evolution (Euros +14 million).

Results_

(million euro)

	2019	2018	(%)
Net sales	921	917	0.4
Procurement	(449)	(527)	(14.8)
Gross margin	472	390	21.0
Other revenues	13	10	30.0
Net personnel expenses	(38)	(39)	(2.6)
Taxes	(4)	(3)	33.3
Other expenses	(63)	(69)	(8.7)
Ebitda	380	289	31.5
Depreciation, amortisation and operating provisions	(158)	(152)	3.9
Operating income	222	137	62.0

Breakdown of the Ebitda by countries_

	2019	2018	Change (%)	FX	Adjusted change (%)
Mexico	295	243	21.4	14	15.6
Rest	85	46	84.8	-	84.8
Total	380	289	31.5	14	26.6

Main aggregates. Installed capacity_

	2019	2018	(%)
Installed capacity (MW)	3,169	3,093	2.5
Mexico (CCGT)	2,365	2,289	3.3
Mexico (wind)	234	234	-
Brazil (solar)	153	153	-
Costa Rica (hydroelectric)	101	101	-
Panama (hydroelectric)	22	22	-
Dominican Republic (oil-fired)	198	198	-
Australia (wind)	96	96	-

Main aggregates. Electric energy produced and availability factor_

	2019	2018	(%)
Electric energy produced (GWh)	18,933	18,351	3.2
Mexico (CCGT)	16,123	15,923	1.3
Mexico (wind)	670	701	(4.4)
Brazil (solar)	302	155	94.7
Costa Rica (hydroelectric)	369	330	11.8
Panama (hydroelectric)	70	94	(25.7)
Dominican Republic (oil-fired)	1,105	1,092	1.2
Australia (wind)	294	56	-
Availability factor (%)			
Mexico (CCGT)	96.1	92.1	3.9 pp
Costa Rica (hydroelectric)	96.8	93.5	3.3 pp
Panama (hydroelectric)	83.3	87.0	(3.7) pp
Dominican Republic (oil-fired)	87.9	90.2	(2.3) pp

Infrastructure EMEA

Ebitda	Reported			Ordinary		
	2019	2018	Change (%)	2019	2018	Change (%)
Gas distribution Spain	935	884	5.8	965	921	4.8
Electricity distribution Spain	675	630	7.1	703	640	9.8
Infrastructure Maghreb	313	288	8.7	313	288	8.7
Total	1,923	1,802	6.7	1,981	1,849	7.1

Ordinary Ebitda reached Euros 1,981 million (+7.1%) in 2019 as a result of a stable performance across all businesses together with operational improvements.

Gas distribution Spain

Ordinary Ebitda in 2019 increased 4.8% vs. 2018 to Euros 965 million, mainly driven by lower Opex.

Results_

(million euro)

	2019	2018	(%)
Net sales	1,237	1,254	(1.4)
Procurement	(74)	(75)	(1.3)
Gross margin	1,163	1,179	(1.4)
Other revenues	38	40	(5.0)
Net personnel expenses	(98)	(118)	(16.9)
Taxes	(25)	(28)	(10.7)
Other expenses	(143)	(189)	(24.3)
Ebitda	935	884	5.8
Depreciation, amortisation and operating provisions	(301)	(320)	(5.9)
Operating income	634	564	12.4

Main aggregates. Gas distribution in Spain_

	2019	2018	(%)
Sales – TPA (GWh)	204,578	197,313	3.7
Distribution network (km)	56,743	56,124	1.1
Increase in connection points (in thousands)	3	31	(89.8)
Connection points (in thousands) (at 31/12)	5,406	5,403	0.1

Total gas sales grew by 3.7%, while connection points remained stable (+0.1% vs. 2018).

Electricity distribution Spain

2019 Ordinary Ebitda amounted to Euros 703 million, a 9.8% increase vs. 2018 primarily due to the contribution of new investments brought into operation and lower interruption times vs. 2018.

Results_

(million euro)

	2019	2018	(%)
Net sales	880	855	2.9
Procurement	-	-	-
Gross margin	880	855	2.9
Other revenues	18	26	(30.8)
Net personnel expenses	(92)	(94)	(2.1)
Taxes	(30)	(30)	-
Other expenses	(101)	(127)	(20.5)
Ebitda	675	630	7.1
Depreciation, amortisation and operating provisions	(249)	(252)	(1.2)
Operating income	426	378	12.7

Main aggregates. Electricity distribution in Spain_

	2019	2018	(%)
Sales – TPA (GWh)	31,006	32,698	(5.2)
Connection points (in thousands) (at 31/12)	3,758	3,740	0.5
Opex/km (€/km)	1,456	1,780	(18.2)
ICEIT (minutes)	42	46	(9.0)

Unitary Opex per km of installed network continue to improve, decreasing 18.2% during the period to Euros 1,456 /km.

Infrastructure Maghreb

2019 Ordinary Ebitda increased by 8.7% to Euros 313 million. Growth was mainly explained by the positive FX evolution (Euros 16 million) and the tariff update, despite the significant reduction in transported volumes. The above illustrates the low sensitivity of Ebitda to transported volumes.

Results_

(million euro)

	2019	2018	(%)
Net sales	334	310	7.7
Procurement	-	-	-
Gross margin	334	310	7.7
Other revenues	1	-	-
Net personnel expenses	(7)	(6)	16.7
Taxes	-	-	-
Other expenses	(15)	(16)	(6.3)
Ebitda	313	288	8.7
Depreciation, amortisation and operating provisions	(36)	(44)	(18.2)
Operating income	277	244	13.5

Main aggregates. International gas transportation_

	2019	2018	(%)
Gas transport - EMPL (GWh)	68,703	117,526	(41.5)
Portugal-Morocco	27,413	41,263	(33.6)
Spain (Naturgy)	41,290	76,263	(45.9)





Infrastructure South LatAm

Ebitda	Reported			Ordinary		
	2019	2018	Change (%)	2019	2018	Change (%)
Electricity Chile	353	243	45.3	347	288	20.5
Gas Chile	238	211	12.8	239	222	7.7
Brazil gas	262	223	17.5	263	223	17.9
Argentina gas	72	108	(33.3)	85	107.0	(20.6)
Argentina electricity	15	10	50.0	15	10	50.0
Peru gas	(2)	(4)	(50.0)	(2)	(4)	(50.0)
Total	938	791	18.6	947	846	11.9

Ordinary Ebitda amounted to Euros 947 million in the period, 11.9% higher than the previous year, primarily driven by regulatory stability and efficiencies, and despite the negative FX evolution (Euros -74 million), notably in Argentina.

According to the criteria established by IAS 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be considered as hyperinflationary. As a result, FX differences arising during the year have been applied to 2019 results, which have been as well updated by inflation rates.

Electricity Chile

2019 Ordinary Ebitda reached Euros 347 million, up 20.5% vs. 2018, mainly as a result of i) higher regulated revenues and ii) lower Opex from efficiency improvements. On the flipside, the FX impact amounted to Euros -14 million.

In “Depreciation, amortisation and operating provisions” are included Euros 68 million of other results for the sale of Transemel.

Results_

(million euro)

	2019	2018	(%)
Net sales	2,214	2,137	3.6
Procurement	(1,649)	(1,592)	3.6
Gross margin	565	545	3.7
Other revenues	26	24	8.3
Net personnel expenses	(86)	(128)	(32.8)
Taxes	(6)	(7)	(14.3)
Other expenses	(146)	(191)	(23.6)
Ebitda	353	243	45.3
Depreciation, amortisation and operating provisions	(64)	(166)	(61.4)
Operating income	289	77	275.3

Main aggregates_

	2019	2018	(%)
Electricity activity sales (GWh)	15,227	15,082	1.0
Electricity sales	11,474	12,220	(6.1)
TPA	3,753	2,862	31.1
Connection points (in thousands) (at 31/12)	3,002	2,928	2.5
Electricity transmitted (GWh)	13,918	14,636	(4.9)
Transmission network (km)(at 31/12)	3,516	3,528	(0.3)

At the operating level, the business experienced growth in connection points (+2.5%) and electricity distributed (+1.0%); on the flipside, sales from the transmission activity decreased by 4.9%.

Gas Chile

Ordinary Ebitda totalled Euros 239 million, 7.7% more than in 2018, driven by i) higher supply volumes, ii) higher unitary margins in distribution sales, and iii) efficiency improvements.

Results_

(million euro)

	2019	2018	(%)
Net sales	746	738	1.1
Procurement	(438)	(441)	(0.7)
Gross margin	308	297	3.7
Other revenues	6	5	20.0
Net personnel expenses	(29)	(29)	0.0
Taxes	(3)	(2)	50.0
Other expenses	(44)	(60)	(26.7)
Ebitda	238	211	12.8
Depreciation, amortisation and operating provisions	(70)	(57)	22.8
Operating income	168	154	9.1

Note:
Includes the activities of gas distribution and supply.

Main aggregates_

	2019	2018	(%)
Gas sales (GWh)	46,537	45,404	2.5
Gas distribution sales (GWh)	10,309	10,957	(5.9)
Gas commercialisation sales to third parties (GWh)	6,829	4,761	43.4
TPA (GWh)	29,399	29,686	(1.0)
Distribution network (km)	7,773	7,557	2.8
Increase in connection points (in thousands)	18	24	(22.4)
Connection points (in thousands) (at 31/12)	644	626	2.9

Total gas sales increased slightly (+2.5%), as higher sales in the supply activity were partially offset by a reduction in volumes distributed, mainly to the industrial segment.

Connection points increased by 2.9%.

Gas distribution Brazil

2019 Ordinary Ebitda increased 17.9% to Euros 263 million on the back of tariff indexation and efficiency improvements, which were partially offset by FX impact (Euros -6 million) and lower sales, in particular for electricity generation.

Results_

(million euro)

	2019	2018	(%)
Net sales	1,815	1,565	16.0
Procurement	(1,458)	(1,217)	19.8
Gross margin	357	348	2.6
Other revenues	35	39	(10.3)
Net personnel expenses	(27)	(31)	(12.9)
Taxes	(5)	(4)	25.0
Other expenses	(98)	(129)	(24.0)
Ebitda	262	223	17.5
Depreciation, amortisation and operating provisions	(71)	(75)	(5.3)
Operating income	191	148	29.1

Main aggregates_

	2019	2018	(%)
Gas activity sales (GWh)	70,295	72,079	(2.5)
Gas sales	59,652	58,866	1.3
TPA	10,643	13,213	(19.4)
Distribution network (km)	8,050	7,678	4.8
Increase in connection points (in thousands)	19	27	(28.7)
Connection points (in thousands) (at 31/12)	1,135	1,116	1.7

Despite the good evolution in 4Q19, overall gas sales were down 2.5% driven by lower demand from power generation and lower sales to the retail segment due to high temperatures in 2019.

Connection points grew 1.7% in the period.

Gas distribution Argentina

2019 Ordinary Ebitda amounted to Euros 85 million, a 20.6% decrease over 2018 mostly from a negative FX impact (Euros -39 million). Excluding this impact, Ebitda would have grown on the back of i) the final application of the new tariff framework in April 2018, ii) tariff indexation, and iii) higher gas sales and margins.

Results_

(million euro)

	2019	2018	(%)
Net sales	554	513	8.0
Procurement	(385)	(316)	21.8
Gross margin	169	197	(14.2)
Other revenues	35	31	12.9
Net personnel expenses	(22)	(15)	46.7
Taxes	(31)	(22)	40.9
Other expenses	(79)	(83)	(4.8)
Ebitda	72	108	(33.3)
Depreciation, amortisation and operating provisions	(24)	(15)	60.0
Operating income	48	93	(48.4)

Main aggregates_

	2019	2018	(%)
Gas activity sales (GWh)	86,701	76,287	13.7
Gas sales	35,502	30,651	15.8
TPA	51,199	45,636	12.2
Distribution network (km)	38,630	26,179	47.6
Increase in connection points (in thousands)	24	14	67.4
Connection points (in thousands) (at 31/12)	2,229	1,665	33.9

In aggregate, sales and connection points for gas and electricity grew by 13.7% and 33.9% respectively in the year due to the incorporation of the new distribution companies result of the swap of shares done in by CGE.

Electricity distribution Argentina

2019 Ordinary Ebitda amounted to Euros 15 million, a 50% increase over 2018 including a negative FX impact (Euros -14 million).

Results_

(million euro)

	2019	2018	(%)
Net sales	139	123	13.0
Procurement	(89)	(70)	27.1
Gross margin	50	53	(5.7)
Other revenues	5	-	-
Net personnel expenses	(8)	(9)	(11.1)
Taxes	(15)	(21)	(28.6)
Other expenses	(17)	(13)	30.8
Ebitda	15	10	50.0
Depreciation, amortisation and operating provisions	-	(1)	-
Operating income	15	9	66.7

Main aggregates_

	2019	2018	(%)
Electricity activity sales (GWh)	1,909	1,962	(2.7)
Connection points (in thousands) (at 31/12)	237	233	1.7



Infrastructure North LatAm

	Reported			Ordinary		
	2019	2018	Change (%)	2019	2018	Change (%)
Ebitda						
Gas distribution Mexico	229	161	42.2	230	170	35.3
Electricity distribution Panama	147	71	107.0	147	105	40.0
Total	376	232	62.1	377	275	37.1

2019 Ordinary Ebitda amounted to Euros 377 million, up 37.1%, on the back of a good operational performance, higher demand and efficiency improvements, as well as a positive FX evolution (Euros 19 million).

Gas distribution Mexico

2019 Ordinary Ebitda increased 35.3% to Euros 230 million. The positive evolution of the business was driven mainly by i) tariff updates, ii) higher capacity reservation

revenues from industrial clients, iii) higher volumes and margins, and iv) efficiency improvements. In addition, there was a positive Euros 11 million FX impact.

Results_

(million euro)

	2019	2018	(%)
Net sales	635	596	6.5
Procurement	(345)	(352)	(2.0)
Gross margin	290	244	18.9
Other revenues	14	10	40.0
Net personnel expenses	(23)	(28)	(17.9)
Taxes	-	(1)	-
Other expenses	(52)	(64)	(18.8)
Ebitda	229	161	42.2
Depreciation, amortisation and operating provisions	(67)	(79)	(15.2)
Operating income	162	82	97.6

Main aggregates_

	2019	2018	(%)
Gas activity sales (GWh)	57,733	58,178	(0.8)
Gas sales	22,842	21,284	7.3
TPA	34,891	36,894	(5.4)
Distribution network (km)	22,722	22,461	1.2
Increase in connection points (in thousands)	(135)	23	-
Connection points (in thousands) (at 31/12)	1,661	1,796	(7.5)

Connection points decreased by 7.5%, as a result of the new commercial strategy aimed at improving customer profitability.

Electricity distribution Panama

2019 Ordinary Ebitda amounted to Euros 147 million, 40% higher than in 2018.

The positive evolution was due to the annual indexation under the new regulatory period (2019-2022), higher

volumes sold and efficiency improvements, which more than compensated for slightly higher energy losses. A Euros 8 million positive FX impact added to the good operational performance.

Results_

(million euro)

	2019	2018	(%)
Net sales	891	771	15.6
Procurement	(695)	(644)	7.9
Gross margin	196	127	54.3
Other revenues	4	3	33.3
Net personnel expenses	(10)	(13)	(23.1)
Taxes	(4)	(5)	(20.0)
Other expenses	(39)	(41)	(4.9)
Ebitda	147	71	107.0
Depreciation, amortisation and operating provisions	(47)	(39)	20.5
Operating income	100	32	-

Main aggregates_

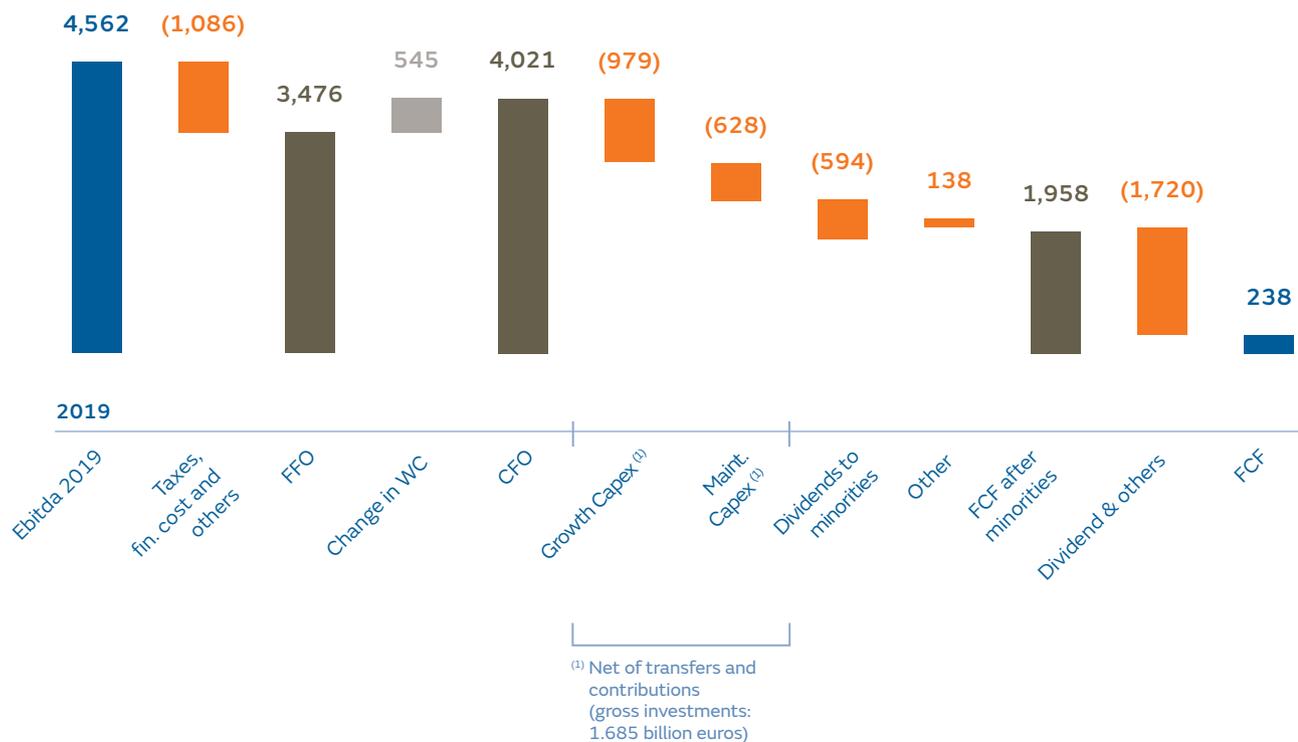
	2019	2018	(%)
Electricity activity sales (GWh)	5,378	5,178	3.9
Electricity sales	4,819	4,888	(1.4)
TPA	558	289	93.0
Connection points (in thousands) (at 31/12)	694	669	3.7

Electricity sales and connection points grew by 3.9% and 3.7% respectively.

Cash-flow

The evolution of cash-flow in the year 2019 is as follows:

Evolution of cash-flow_ (million euro)



Free cash-flow after minorities amounted to Euros 1,958 million. In addition to the stronger operating results, the company experienced a positive evolution of its working capital, explained by an increased focus on working capital management as well as other seasonal circumstances occurring in the period.

Free cash-flow after minorities was mostly allocated to the payment of dividends (Euros 1,307 million) and the share buy-back programme (Euros 405 million), the balance being primarily devoted to the reduction in net debt and other effects in the period.

Capex

Breakdown of net investments by type_

(million euro)

	2019	2018	(%)
Investments in property, plant and equipment and intangible assets	1,685	2,321	(27.4)
Financial assets	-	35	-
Total gross investments	1,685	2,356	(28.5)
Divestments and others	(382)	(2,640)	-
Total net investments	1,303	(284)	-

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



Breakdown of growth investments and maintenance investments in property, plant and equipment and intangible assets_

	Growth Capex			Maintenance Capex		
	2019	2018	(%) 2019/2018	2019	2018	(%) 2019/2018
Gas & Power	623	998	(37.6)	212	137	54.7
Supply of gas, electricity and services	47	59	(20.3)	50	2	-
International LNG	1	380	(99.7)	1	-	-
Generation Europe	420	385	9.1	107	77	39.0
International generation	155	174	(10.9)	54	58	(6.9)
Infrastructure EMEA	179	248	(27.8)	253	225	12.4
Gas networks Spain	119	194	(38.7)	48	46	4.3
Electricity networks Spain	60	54	11.1	200	174	14.9
Infrastructure Maghreb	-	-	-	5	5	-
Infrastructure South LatAm	159	278	(42.8)	124	181	(31.5)
Electricity Chile	62	97	(36.1)	49	110	(55.5)
Gas Chile	69	114	(39.5)	7	17	(58.8)
Gas Brazil	20	34	(41.2)	30	26	15.4
Gas Argentina	6	15	(60.0)	33	26	26.9
Electricity Argentina	-	5	(100.0)	5	2	150.0
Gas Peru	2	13	(84.6)	-	-	-
Infrastructure North LatAm	91	113	(19.5)	76	71	7.0
Gas Mexico	35	60	(41.7)	23	21	9.5
Electricity Panama	56	53	5.7	53	50	6.0
Rest	-	1	(100.0)	(32)	69	(146.4)
Total tangible and intangible investments	1,052	1,638	(35.8)	633	683	(7.3)

Total Capex

	2019	2018	(%) 2019/2018
	835	1,135	(26.4)
	97	61	59.0
	2	380	(99.5)
	527	462	14.1
	209	232	(9.9)
	432	473	(8.7)
	167	240	(30.4)
	260	228	14.0
	5	5	-
	283	459	(38.3)
	111	207	(46.4)
	76	131	(42.0)
	50	60	(16.7)
	39	41	(4.9)
	5	7	(28.6)
	2	13	(84.6)
	167	184	(9.2)
	58	81	(28.4)
	109	103	5.8
	(32)	70	(145.7)
	1,685	2,321	(27.4)

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

Growth Capex in the period represented over 60% of total Capex and amounted to Euros 1,052 million. Growth Capex in 2019 includes the following:

- A total of Euros 418 million invested during the period in the construction of different renewable projects in Spain (wind and solar), with close to 800 MW put in operation in 2019.
- Euros 155 million invested in the development of 180 MW of wind capacity in Australia and 324 MW of wind and solar capacity in Chile that will come into operation before 3Q20 and 1Q21 respectively.

Divestments

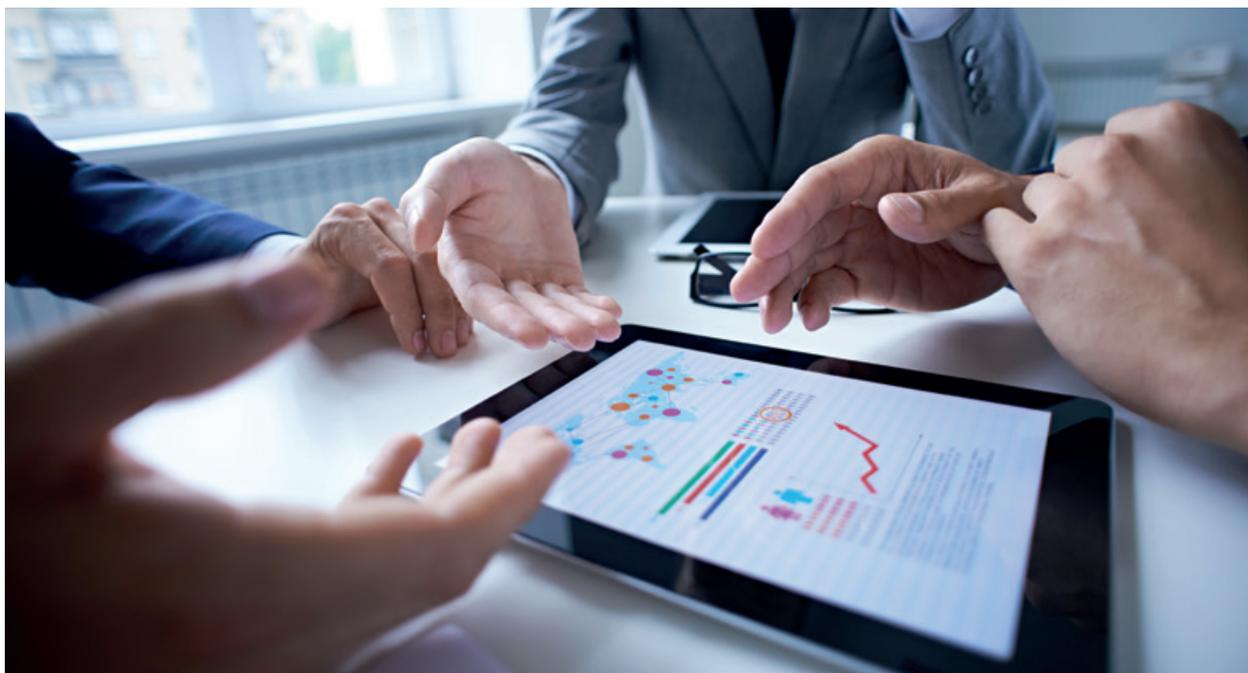
- On 30 July 2019, CGE, Naturgy's subsidiary in Chile, completed an asset swap in Argentina, whereby CGE transferred its 50% stake in 2 electricity distribution subsidiaries, in exchange for a 50% stake in a gas distribution company and the associated commercialisation. As a result, CGE now controls and consolidates 100% of the gas distribution subsidiaries.
- On 31 July 2019 Naturgy completed the disposal of 100% of its interests in its Moldova electricity distribution activities. The transaction valued the company's equity at Euros 141 million (including pre-closing dividends) and did not generate significant capital gains for Naturgy. The contribution of this business in 2018 was Euros -56 million, including a write-down of the investment for Euros -73 million, recognised under "Income from discontinued operations" in the consolidated income statement.
- On 1 October 2019, the group completed the disposal of Transemel, an electricity transmission subsidiary in Chile, for an equity consideration (100%) of Euros 155 million and an Enterprise Value of Euros 182 million, equivalent to approximately 23.5x EV/Ebitda 2018.

Financial position

Net debt as of 31 December 2019, under IFRS 16 criteria, stood at Euros 15,268 million, down Euros 41 million over the net debt figure as of year-end 2018, after the Euros 1,712 million allocated to dividend payment and share buy-back. As a result, Net Debt/LTM Ebitda declined to 3.3x from 3.8x as of 31 December 2018.

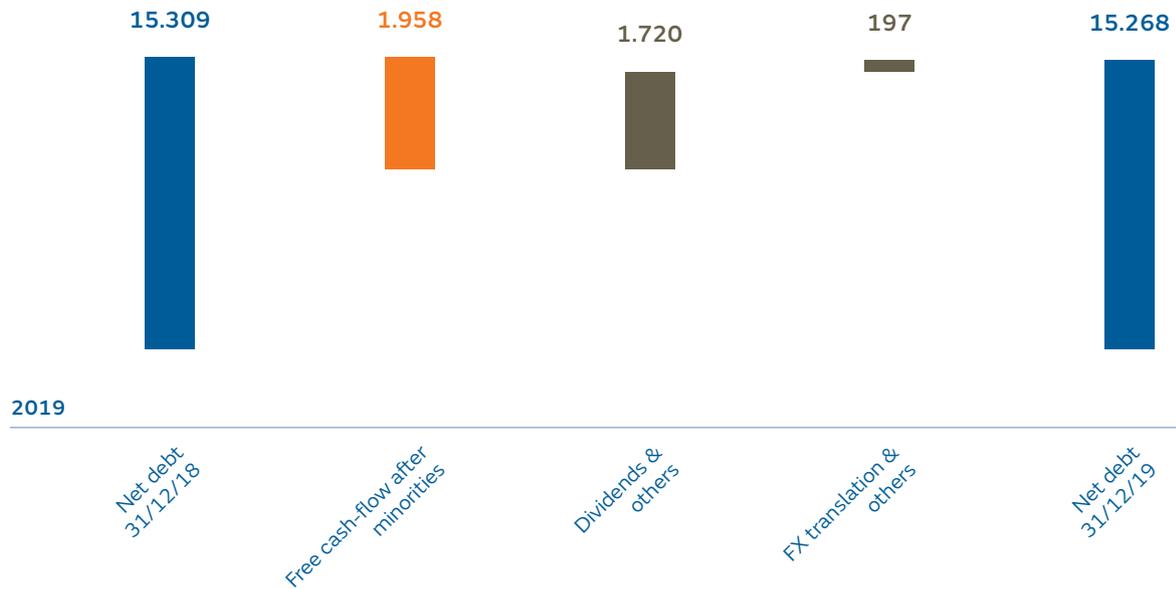
During 2019, the most relevant financing operations were the following:

- A liability management exercise completed in November whereby Naturgy executed the repurchase of Euros 653 million in existing notes and simultaneously issued a new bond of Euros 750 million with a tenor of 10 years.
- GPG formalised a new syndicated loan for US Dollars 1.5 billion with 5 years maturity (extendable +2 years).
- Euros 500 million loan signed by Naturgy Renovables with a 7 year maturity, which has been supplemented by a Euros 100 million credit line.
- A loan for Euros 98 million signed to finance renewable assets in Crookwell (Australia) with a 7 year maturity.
- A credit line in Mexican Pesos for an equivalent of Euros 69 million and withdrew loans for Euros 92 million with a 3 year maturity for Naturgy Mexico.
- Renewal of different loans in Brazil and Chile for an equivalent of Euros 74 million with maturities between 2.5 and 5 years.



Net debt evolution _

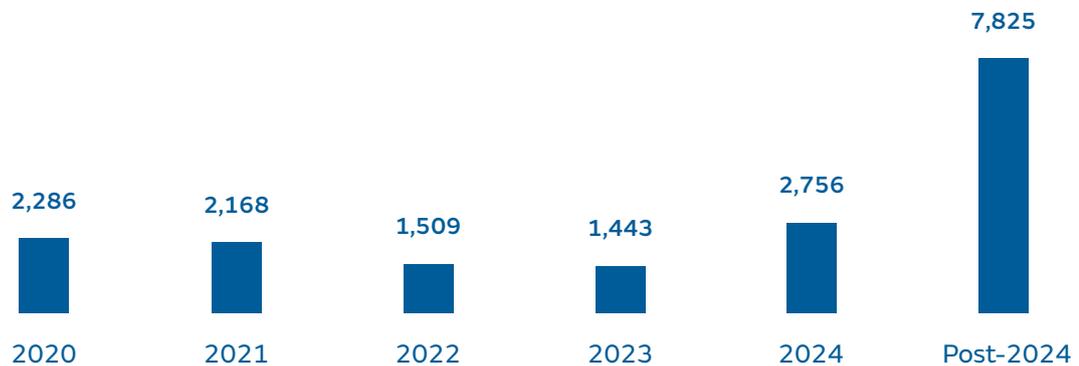
(from 31 December 2018 to 31 December 2019) (million euro)



The average cost of debt, excluding the cost of lease liabilities under IFRS 16, is 3.2%, in line with the level in 2018 (3.1%).

Gross debt maturities_

(million euro)



Evolution of the principal ratios applied referent to the Net financial debt_

		2019	2018
Ebitda/Net financial cost	Times	7.3	7.5
Net financial debt ⁽¹⁾ /Annual Ebitda	Times	3.3	3.8

⁽¹⁾ 2018 Proforma applying IFRS 16.

The detail of the net financial debt, the average financial cost of the gross debt and the % of fixed gross debt by country and currency is as follows:

Detail of the net financial debt, average cost of gross debt and fixed gross debt by country and currency_

(million euro)

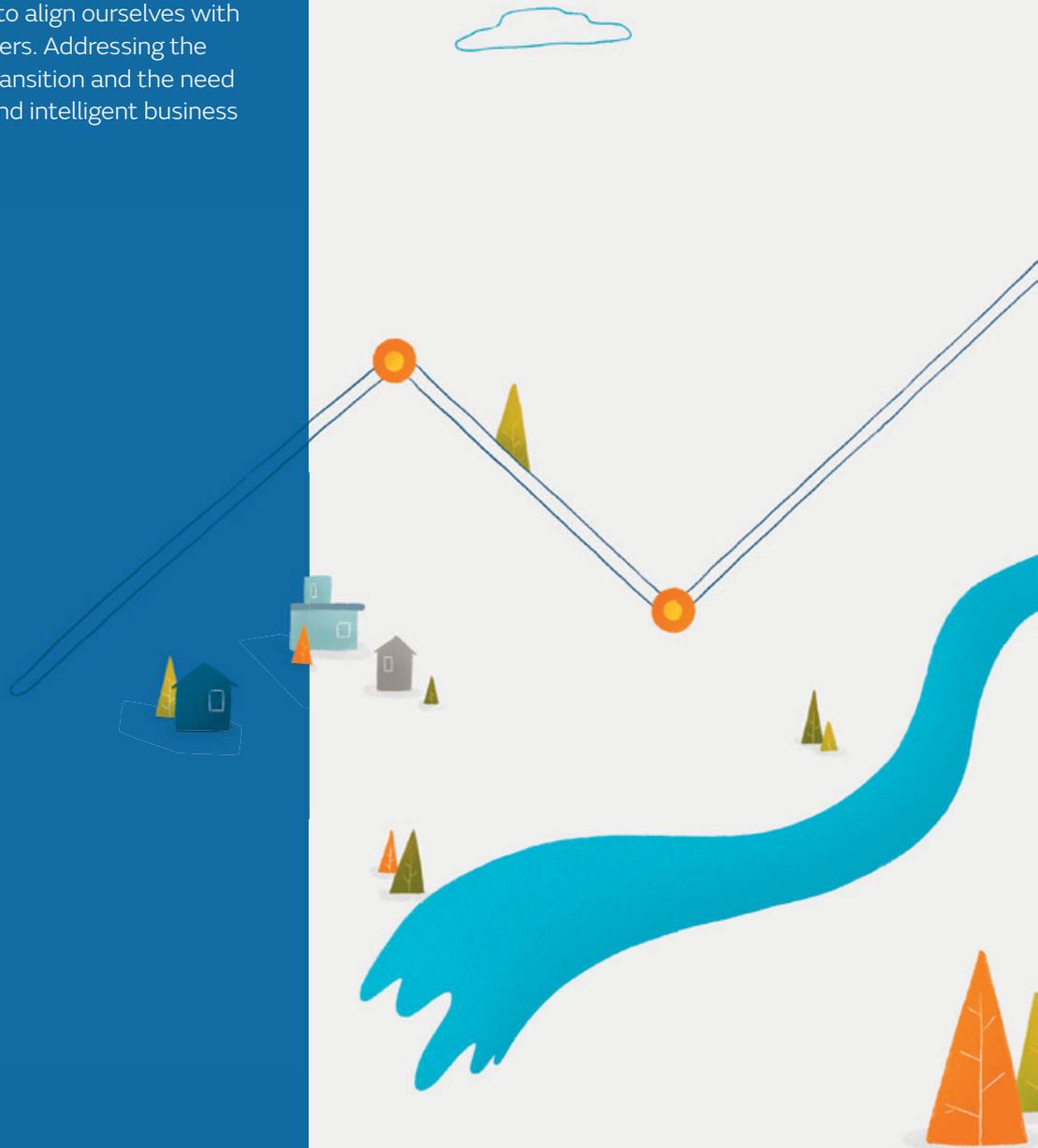
	Net financial debt	(%) Average cost of gross debt ⁽¹⁾	(%) Fixed (Gross debt)
Consolidated			
Dec'19	15,268	3.2	86
Dec'18	15,309	3.1	87
Chile			
CLP	1,796	5.8	73
USD	27	5.5	48
Brazil			
BRL	271	7.3	8
Argentina			
ARS	(34)	69.8	17
Peru			
USD	63	3.2	6
Mexico			
MXN	416	8.8	48
Panama			
USD	611	4.4	66
Holding & others			
EUR/USD	2,118	2.2	96

⁽¹⁾ Does not include cost from IFRS 16 Debt.



Transformation

Recognising the challenges and opportunities for evolution and growth is part of our daily work. At Naturgy we are in the process of a significant transformation to align ourselves with the needs of our stakeholders. Addressing the challenges of the energy transition and the need for a sustainable, reliable and intelligent business model.



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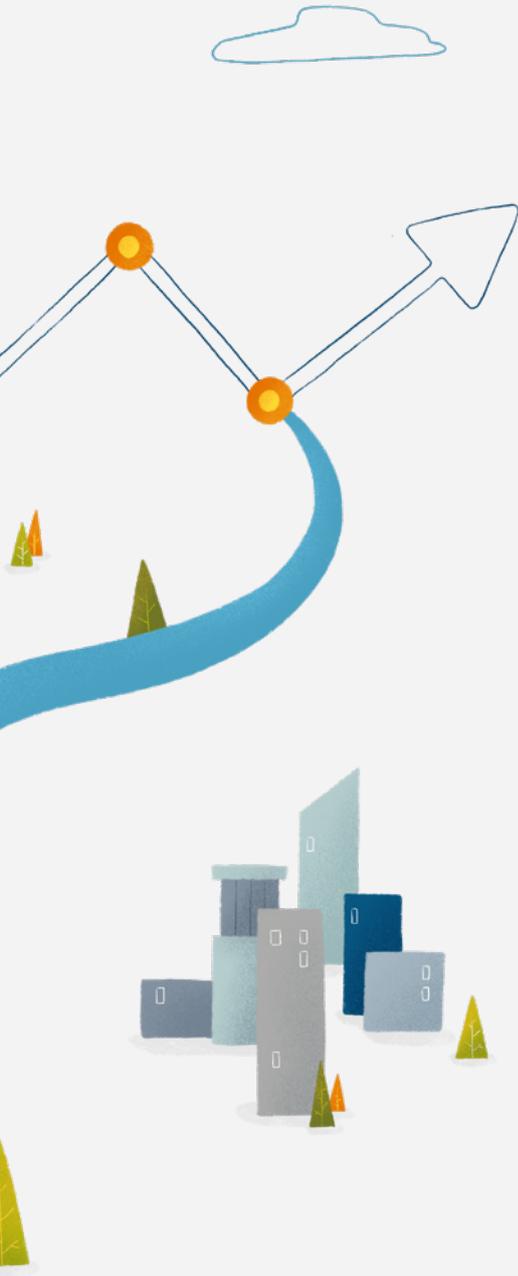
Strategy

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Foundations of strategy

The Strategic Plan 2018–2022, unveiled in London on 28 June 2018, established the group's Business Model, which is focused on value creation.

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

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

Treating the energy transition as an opportunity

Naturgy believes that natural gas and renewable energies will play a very important role in the transition to energies that produce lower CO₂ emissions, as needed to meet the targets set in the 2015 Paris Agreement on climate change.

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

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

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

Being a flexible, competitive company

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

■ Organisation

The businesses will be autonomous units with full responsibility for their results, while seeking to optimise company personnel. To this end, a number of changes have been implemented at the organisational level in both corporate governance and the organisational structure in order to facilitate decision-making and the business units' autonomy and responsibility, while always guaranteeing control by the parent company.

■ Process re-engineering

Reviewing service contracts with suppliers, establishing new co-operation relations with suppliers where necessary to achieve automation or outsource non-core tasks.

■ Asset management

Search for best practices to optimise asset maintenance based on predictive models and centres of excellence.

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

Transforming via digitalisation

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

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

These key projects will drive the group's transformation via digitalisation.

Placing the customer at the centre of the model

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

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

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

Value creation

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

Simplicity, transparency and accountability

Corporate governance and organisation structure

In terms of corporate governance, major changes were made in 2018, such as reducing the number of members in the Board of Directors from 17 to 12 (the executive chairman, six proprietary directors and five independents).

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

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

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



Strategic positioning

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

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

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

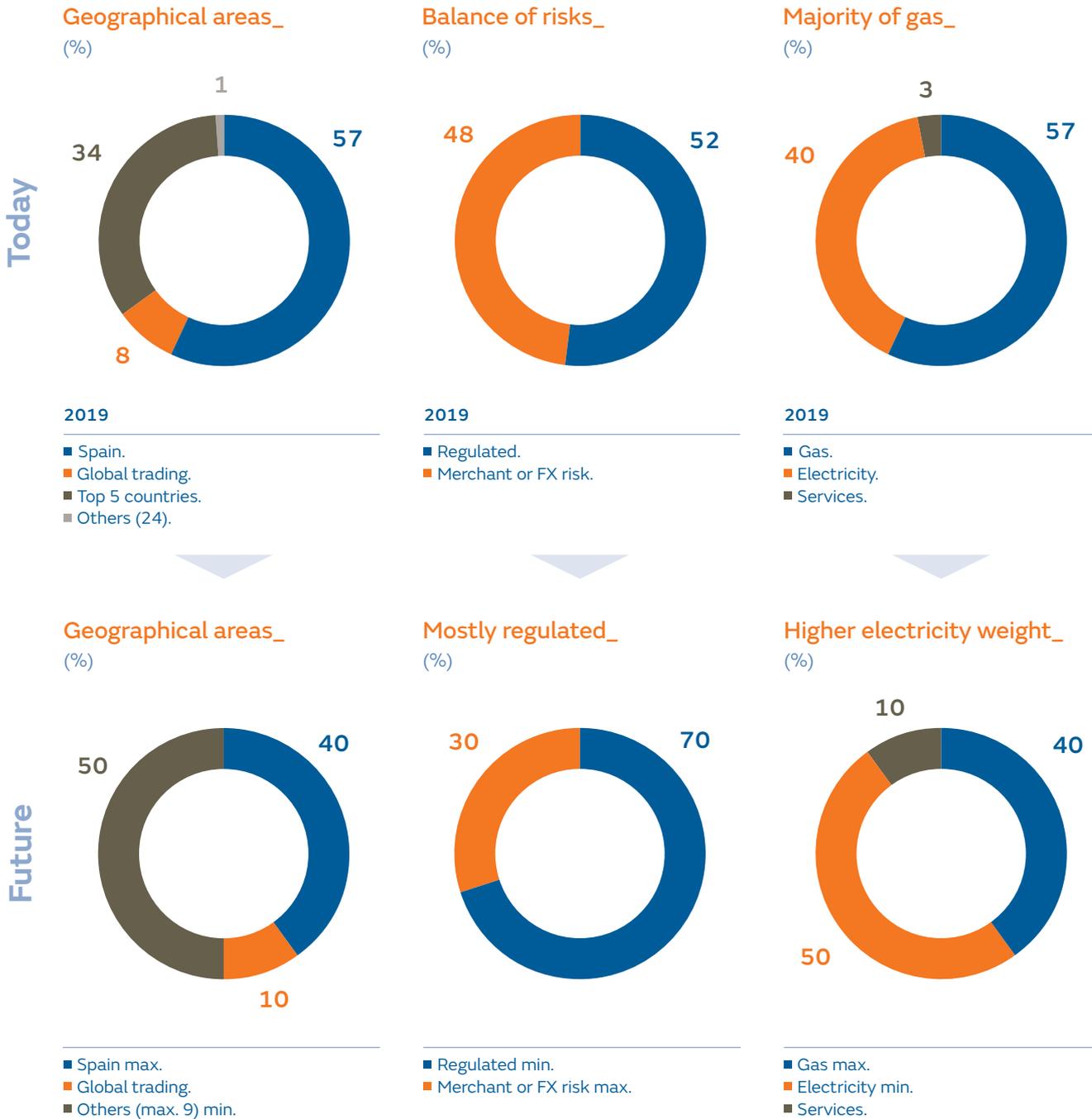
Naturgy is also working to balance the weight of its businesses in its mix of activities and will be more ambitious to increase the contribution by regulated activities and by electricity. In the future, the company

expects that at least 70% of its business will be linked to regulated activities (currently 52%), with half related to electricity (currently 40%). It also expects to increase exposure to services to about 10%, reinforcing its commitment to the customer.

- **Naturgy is also working to balance the weight of its businesses in its mix of activities** and will be more ambitious to increase the contribution by regulated activities and by electricity.

Simplicity and Accountability

Strategic positioning



Rebalancing of portfolio: more cash-flow visibility and lower volatility.

Additionally, on the basis of developments in the markets where it operates and in line with the assumptions and foundations of the new Strategic Plan, Naturgy reviewed the value of its assets in 2018, which resulted in a one-time impairment in the amount of Euros 4.851 billion before taxes, booked in 2018. This impairment had no impact on shareholder remuneration and it is proving to be accretive from 2019 because of the lower depreciation charge.

Optimisation

Financial Strategy focuses on reducing Opex, optimising Capex and applying strict discipline in investments, pursuing organic development. All optimisation measures will be supervised by the new Opex & Capex Committee.

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

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



Disciplined investment

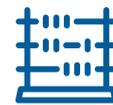
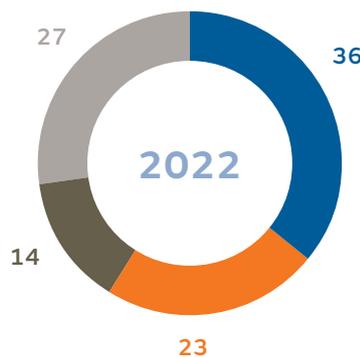
Four golden rules were defined to ensure value creation and profitable growth in both organic and inorganic investments:

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

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

Growth Capex by business at 2022_

(%)



Growth Capex

€5,300M

Projects planned for the 2020–2022 period

■ Gas & Power. ■ Infra. EMEA. ■ Infra. North LatAm. ■ Infra. South LatAm.

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

Shareholder remuneration

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

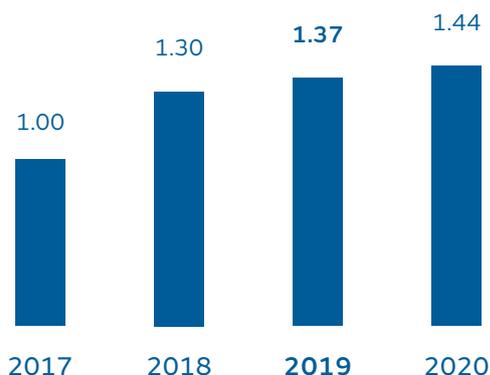
Under the Strategic Plan 2018-2022, Naturgy made a commitment to its shareholders to increase the cash dividend by at least 5% per year until the end of the period and to pay dividends in three instalments:

- At the end of the first half of the year (20% of the total dividend).
- At the end of the third quarter (35%).
- After the General Shareholders' Meeting (the remaining 45%).

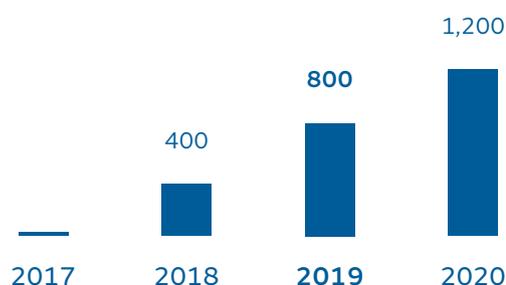
To reinforce the new shareholder remuneration policy, in the event that the company cannot find inorganic investments that meet the hurdle rate, it can allocate a maximum of Euros 2 billion to buying back own shares, capped at Euros 400 million per year.

The calendar change was implemented in 2019: a first interim dividend amounting to Euros 0.294 per share was paid in July 2019 and a second interim dividend amounting to Euros 0.473 per share was paid in November 2019. Also, the planned Euros 400 million share buy-back was completed in 2019, as a result of which 16,567,195 shares were cancelled in a capital reduction.

Dividends_
(€/share)



Share buy-back_
(million euro) (Up to €2,000 M)



Accumulated amounts

- In 2019 a first interim dividend amounting to Euros 0.294 per share was paid in July 2019 and a second interim dividend amounting to Euros 0.473 per share was paid in November.

Financial Strategy

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

Finance policy focuses on maintaining the rating and leverage while managing the debt structure to make

it more effective. The debt structure will be diversified, prioritising access to capital markets and institutional funds, with at least 70% of debt at fixed cost while seeking “natural” hedges by ensuring that subsidiaries are funded in the currency in which they generate cash-flows.

At business level, each business unit would be provided with the necessary liquidity and the necessary level of indebtedness to operate autonomously.



Innovation

In an increasingly interconnected world, innovation and technology are key to transforming the way we do business, through initiatives and projects that ensure increasingly efficient, clean and sustainable energy.



Naturgy 

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Sustainable innovation

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Risks and management approach

—

Naturgy sees innovation as vital to the company's transformation. It provides efficiency, by imagining disruptive new business models and discovering new ways to be more customer-centric, taking advantage of new technologies or following the latest market trends.

The approach to managing innovation enables risks to be transformed into opportunities, as a contribution to the creation of an agile company capable of riding the wave of constant transformation. It enables us to anticipate the impact of the profound changes that are taking place in society, such as the digital

transformation, which affects our customers' way of life and needs, or the energy transition towards a decarbonised economy.

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

Analysis of 2019 results

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Innovation vision

Naturgy's Innovation Model is structured around priority lines of innovation that are aligned with the objectives of the Strategic Plan that sponsor and support the business lines. The overall figure in 2019 for investment in innovation totalled 36 million euros (63 million euros for 2018). To implement the plan, Naturgy uses a two-pronged innovation model:

- **Push**
Focused on developing in-house technology solutions that respond to challenges identified in the strategic vision.
- **Pull**
Draws on the open innovation ecosystem to find business opportunities, ideas and talent.

Innovation is governed by the Strategic Innovation Committee, which is composed of the Chairman and his direct reports; the committee's main mission is to ensure that all innovation initiatives are aligned with the strategic lines of innovation.

Roadmaps are designed for all the strategic lines of innovation, including guidelines and targets both in the time period of the Strategic Plan and in the longer term, which contributes to the company's sustainability. This approach also ensures that innovation activities and projects are implemented in a coherent manner, with follow-up and assessment using consistent indicators.

The Innovation Model is based on six strategic innovation lines:

- Renewable generation and storage.
- Advanced management of distribution assets.
- Renewable gas and hydrogen.

- Distributed generation and storage.
- Sustainable mobility.
- Customer solutions.

Renewable generation and storage

To fulfil the commitment to combating climate change, Naturgy must evolve steadily towards an emissions-free energy mix while always guaranteeing security and quality of supply. Renewable energies will play a very important role in this new model; to ensure continuity of supply, they must be supported by reliable storage systems, which is why the development of energy storage technologies is an essential part of this process.

The La Nava photovoltaic test area in Ciudad Real (Spain) was developed in 2019 for the purpose of testing solar panels, trackers and other equipment and assessing design parameters for photovoltaic solar generation facilities.

In the area of storage, development continued in 2019 of the project to hybridise the La Vega I & II wind farm with storage facilities; the goal is to demonstrate the technical feasibility of a manageable hybrid installation that can provide multiple electrical services to the farm itself and the grid.

Advanced management of distribution assets

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

In the area of electricity distribution, the SPIDER project commenced in 2019 with the aim of developing and integrating low-cost sensors capable of measuring the position and vibrations of power line conductors so as to have advance warning of vegetation impacts on the conductors before they cause faults.

In the field of gas networks, and on a more global scale, Ris3CAT encompasses 3 projects with the participation of 48 partners to develop network digitalisation tools: sensorisation, predictive models and advanced asset management.





Renewable gas and hydrogen

Renewable natural gas is a fuel that is equivalent to natural gas but is obtained from renewable resources such as biomass or organic waste and, consequently, is neutral in terms of CO₂ emissions. Therefore, it is a form of energy that contributes to the fight against climate change; it is part of the “circular economy” since it involves efficient waste management; and it also enables society to produce, distribute and consume autochthonous gas, which contributes to developing the local economy.

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

One of the company's success stories in this area is the Public-Private Renewable Gas Unit, developed with EnergyLab and the sewage treatment company in the municipality of Bens (A Coruña, Spain), which involves the creation of a plant for producing biomethane from the organic sludge produced by a municipal wastewater treatment plant; an experimental programme enabled the process to be optimised successfully.

At the same site, a highly innovative experimental biological methanation plant has been set up that uses hydrogenotrophic micro-organisms (archaea) that are capable of transforming a feedstock consisting of CO₂ and H₂ into biomethane or renewable gas.

Distributed generation and storage

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

The decline in the price of photovoltaic technology makes autoproduction increasingly affordable. This competitive advantage is enhanced by the possibility offered by that Royal Decree of joint ownership of autoproduction facilities. There are now smart infrastructures and systems that make it possible to decentralise electricity distribution, which is revolutionising the current models and opening up new business opportunities.

The distributed generation and autoproduction initiatives that were under way in 2018 continued in 2019. One of these initiatives is the Manhattan project, which seeks to develop new products and services to leverage the energy produced by customers, in which Naturgy offers storage facilities.

Sustainable mobility

The company continues to work on the nationwide deployment of natural gas filling stations that are open to the public, and it is participating in technology projects for filling vehicles with this type of fuel at the user level. Naturgy focuses particularly on improving the energy and economic efficiency of the filling stations, and it has researched solutions for storing energy in flywheels in pursuit of greater energy efficiency.

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

electric mobility. The NEAR (New Electricity Assets for Recharging) project (2019-2020) attempts to define the distributor's role in the deployment of public recharging infrastructure. During 2019, the efficiencies arising from the use of the existing network infrastructure to deploy electric recharging points were examined.

In the field of liquefied natural gas, work continued on the LNG ON Wheels® project, a solution that will facilitate the supply of LNG through tanker trucks that connect directly to a ship or other supply infrastructure, making it possible to transport LNG to areas that were not previously accessible.



Customer solutions

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

The Smart client initiative seeks to personalise customer service using technologies such as artificial intelligence (AI) and the internet of things (IoT). A pilot energy assistant for residential customers project was launched in 2019 with the aim of testing how a solution based on Artificial Intelligence can provide advice to customers with home photovoltaic installations on the most appropriate schedules for energy consumption by certain equipment.

In the field of sustainable building, the KIC COFAST project gave rise in 2019 to a patent application consisting of the development and market launch of a new standardised integrated solution for fast charging stations for electric vehicles based on a small-scale natural gas-fired cogeneration plant.

The Smart Channel initiative seeks to adapt the communication approach to the new digital reality by accelerating the digitalisation of communication channels using such technologies as Artificial Intelligence. In 2019, work was carried out to develop a virtual assistant that uses AI-driven natural language processing to automate the customer care process.

Planning and technology monitoring

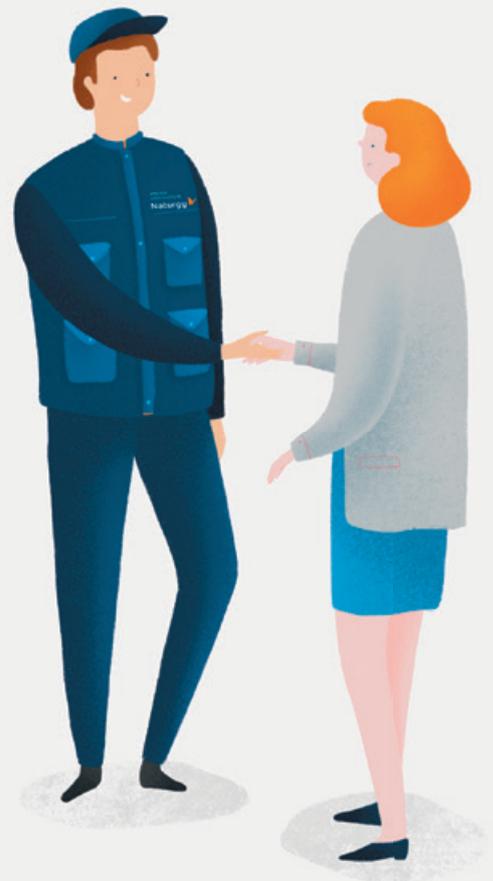
Monitoring takes place through Observatories, involving over 200 people from the various business units and corporate areas. These groups share and analyse information from an end-to-end perspective: technology, commercial, regulatory, social and market aspects. The Observatories' conclusions are reflected in roadmaps that define the high-level planning of Innovation in each of the six priority lines.

In 2019, a digital management system was implemented for monitoring technology with the goal of acquiring, processing, analysing and reporting information in a more agile and flexible way so as to encourage horizontal collaboration initiatives. A number of think tanks were established to examine trends in the energy industry and detect new business opportunities.

Naturgy continued to operate its two innovaHubs, in Madrid and Barcelona, which are conceived as open spaces that are freely available for innovative activities and in which forms of collaborative agile work can be explored. The numerous activities in the area of Innovation included MeetUps and Techbreakfasts, both with a similar informal, dynamic and collaborative format, where companies and startups are able to exhibit their products, technology or services and gain first-hand knowledge of innovations in a given thematic area.

Sustainability

Our commitment to excellence, results, the environment and society are incorporated into our daily work and are set out in our roadmap. They help us to establish solid and mutually beneficial relationships of trust for employees, customers, shareholders and partners.



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Our commitments

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Responsible environmental management | **129**

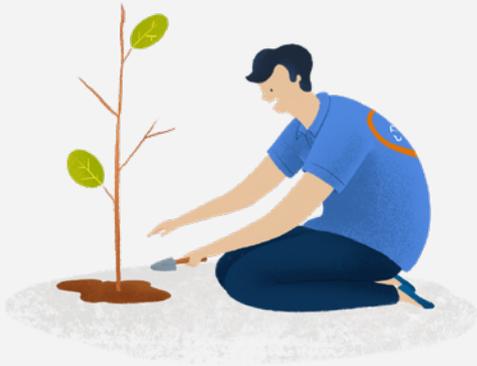
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Commitment to results



What does this mean for Naturgy? Risks and management approach

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

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



What is our commitment?

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



How do we measure our performance?

- Ebitda.
- Net profit.
- Investments.
- Indebtedness.
- Cash-flow after non-controlling interests.

Analysis of 2019 results

The analysis of Naturgy's 2019 consolidated result and the breakdown by business is shown in the "Business performance and results" section of this report.

Sustainability indices, green bonds and sustainable funding

Presence in socially responsible investing indices and ratings

The company occupies significant positions in the leading sustainability indices on the strength of its environmental, social and governance (ESG) performance metrics. Naturgy has been part of the Dow Jones Sustainability Index uninterruptedly for the last 15 years, and in 2019 it ranked first in the world in the Gas Utilities sector for the third consecutive year. The company has also been a member of FTSE4Good since the index was created in 2001, and ranks as world leader in the Multiutilities sector for the second consecutive year. During 2019, Naturgy was evaluated by rating agencies such as MSCI, from which it again obtained the maximum rating (AAA), and Sustainalytics, which continued to rate it among the top 5 of the 193 utilities it evaluates. The company also maintained the score obtained from Vigeo Eiris in 2018 (the evaluation is performed every two years), and is a member of the three Euronext Vigeo indices: World 120, Europe 120 and Eurozone 120. Naturgy is also a member of the MSCI Global Climate Index and MSCI ESG Leaders Index.

In 2019, Naturgy was recognised as a world leader for its action against climate change through inclusion in CDP's Climate Change 2018 A List. The company

obtained the highest possible score in this climate change index in recognition of its action to reduce emissions, mitigate climate risks and develop a low-carbon economy.

Green bonds and sustainable funding

In 2017, Naturgy developed a reference framework for the issuance of green bonds to fund renewable energies. Under this framework, on 15 November 2017, Naturgy issued a green bond for an amount of Euros 800 million, maturing in May 2025. The issue pays an annual coupon of 0.875%.

In addition, in order to cover its funding needs and in line with its progress in sustainability, in 2017 Naturgy arranged a sustainable loan with ING Bank NV Sucursal in Spain for a total amount of Euros 330 million for 4 years, with the possibility of a one-year extension, whose spread is indexed to the company's sustainability performance as assessed by independent rating agency Sustainalytics, which issues a report and a rating in this connection.

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



Service excellence



What does this mean for Naturgy? Risks and management approach

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

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

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

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



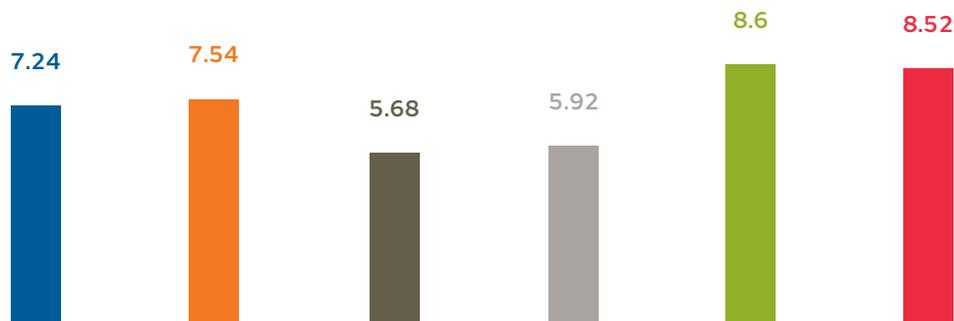
What is our commitment?

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



How do we measure our performance?

2019 Overall satisfaction with service quality_



2019

■ Spain (residential). ■ Spain (industrial). ■ Chile (electricity). ■ Chile (gas). ■ Brazil. ■ Mexico.

Note:

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



What are our main milestones in 2019?

- Digitalisation of the bill and greater self-management by the customer on the website.
- Simplification of the Naturgy Customers digital universe.
- Development of a new in-store customer service model.
- Generation of new products called SuperPacks (fixed monthly price according to consumption and inclusion of Value Added Services) and reduction of the commercial portfolio with a view to simplifying the customer's digital journey.
- Website simplification of portfolio (two tariffs) and subsequent simplification of online contracting, avoiding unnecessary clicks.
- Update of the cybersecurity regulatory body.
- Update of the procedural, technical and operational protection measures established by Naturgy in its Model of Protection of the strategic assets.
- New in-store customer service model.



What are our goals for 2020?

- Develop new solutions for sustainable mobility and recharging points.
- Implementation and monitoring of the Global Customer Experience Policy in business.
- Develop new channels of communication with the client in a more personalised way using Internet of Things (IoT), Artificial Intelligence (AI) and machine learning technologies.
- Designing energy management solutions for the generation, distribution and storage of energy.
- Develop remote operation control models at plants.

Analysis of 2019 results

The customer as the focal point

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

Placing the customer at the centre of the activity is an indispensable necessity to achieve the commitment that allows the establishment of long-term relationships of trust. To do this, we listen to the customer to evolve through their eyes, their needs and their experience in every interaction with us. Their voice contributes to the development of our value proposition and service excellence.

Customer Experience Programme (CeX)

The Customer Experience programme, based on cultural transformation, was born in 2015 at group level with the purpose of making the company a benchmark at international level in customer satisfaction in the energy sector, measured in terms of recommendation.

With Customer Experience the company introduces a new methodology through which the customer is at the centre of the decision-making process, changing the way we do things in order to meet their needs and expectations, but above all, being sensitive to how they perceive the company and their experience within the company.

The evolution of the Customer Experience programme has led Naturgy to place the customer at the centre of its industrial model, to satisfy their expectations and to anticipate their needs. In accordance with the Corporate Responsibility Policy and the commitment to service excellence, the CeX vision is set out in the following CeX Principles for the group:

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

Consequently, in April 2019 the Global Customer Experience Policy was formalised, defining a framework for action, which must be complied with, on five lines of work considered necessary to guarantee the centrality of the customer:

- Customer measurement.
- Objectives and annual action plan.
- Clear communication.
- Claims.
- Channel partners.

Quality and reliability of the service

Maintenance of the gas and electricity facilities is an essential aspect within Naturgy's mission to achieve a level of quality and reliability of the service that satisfies customers and enables us to comply with the regulatory requirements of the countries where we operate and with the most demanding standards of the industry. The aim of maintenance is to improve the safety and reliability of gas and electricity networks, and to maintain a high level of service quality.

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

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

The preventive and corrective maintenance procedures are frequently subject to reviews by the Technical Quality, Safety, and Internal Auditing, Compliance and Control divisions.

The maintenance actions performed by the company are reflected in the evolution of the main quality/service indicators, which have revealed a notable improvement in recent years. These indicators measure, inter alia, response times to a notification of a malfunction or anomalous situation affecting the grid, the stoppage time per customer or installed power, the kilometres of the grid and facilities inspected, and the number of incidents per kilometre of grid.

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

Customer's satisfaction and experience

Naturgy listens to its customers' opinions and incorporates them into the decision-making in order to develop innovative products and services that meet their needs and expectations.

The company has a model to measure customers' experience, through which it constantly monitors the satisfaction of its customers and the level of recommendation. The model is based on three levers:

- **Measurement**

Naturgy collects the opinion of customers through surveys that are classified into two complementary blocks: general surveys on positioning, and interaction or point-of-contact surveys with the company.

- **Analysis**

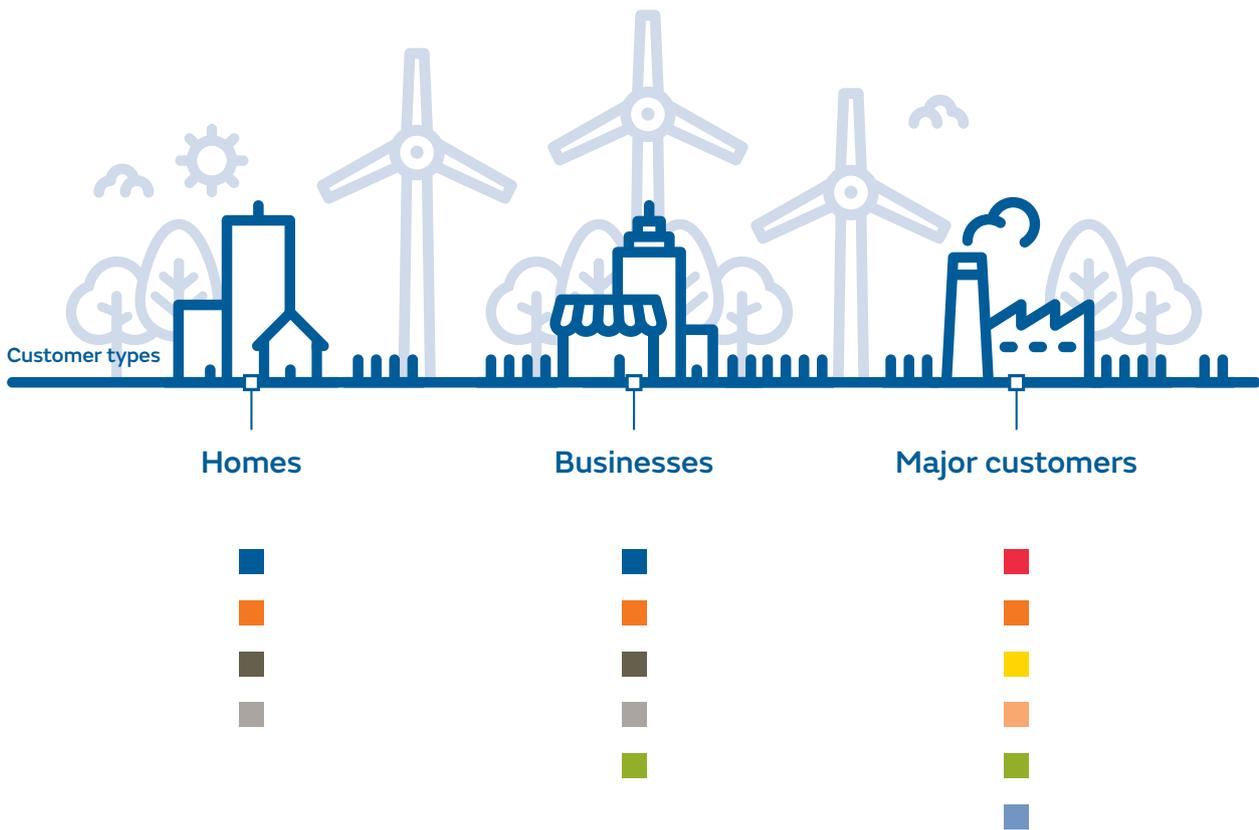
The results are added to the daily management reports, which allows us to include the customer's voice in decision-making.

- **Close the loop**

Process that enables immediate corrective action through the management of alerts that activate whenever the recommendation thresholds established required to maintain the level of quality that the company imposes with its customer relations are not reached.

Products and services adapted to customers' requirements and priorities

Naturgy's commercial offer is targeted at homes, businesses and major customers. The products offered are not restricted solely to the supply of gas and electricity, but encompass other aspects:



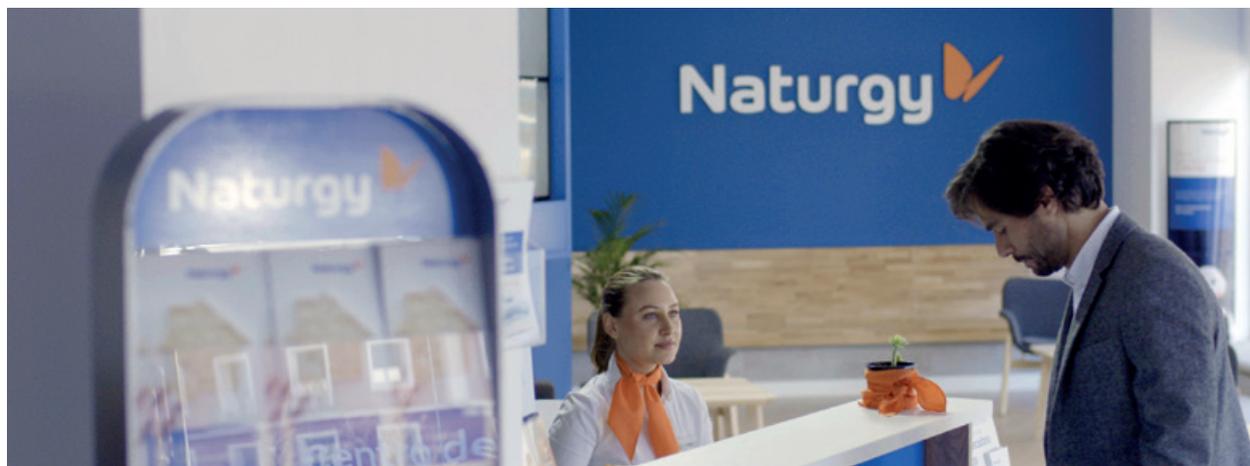
Products and services

- Natural gas and electricity.
- Energy services.
- Equipment.
- Savings and energy efficiency.
- Energy solutions.

- Natural gas, electricity and LNG.
- Services with value-added.
- Efficiency and sustainability.
- Customised management and advisory services.

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

During 2019, all the products in the portfolio have been improved and adapted to the demands of customers, especially the services of self-consumption, equipment and electric mobility.



Customer Service

The Customer Service activity includes all the processes and sub-processes linked to customer service activities through all the channels provided by the Company, as well as invoicing and collection. Naturgy has introduced an innovative Customer Service Model that is adapted to customers' characteristics and needs, offering accessible solutions that allow for greater comfort and flexibility to its customers' requests. Technological innovation reduces language or disability barriers. With regard to transparency in communication of claims or complaints submitted, the model implemented in commercialisation and distribution complies with the obligations set out in Circular 2 of 2016 issued by the National Securities Market Commission (CNMC), reporting every quarter with regard to the details on the situation of claims processed in accordance with the formats and deadlines established by the regulator. This model is included in the quality management system certified in accordance with ISO 9001 by AENOR.

The customer service channels that Naturgy makes available to its customers offer personalised and close attention that aims to exceed customer expectations. In the case of commercialisation, customer service is differentiated according to the value of the customer.

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

Customer service model

Our model comprises three focal points:

- **Operational and training model**
The aim is to anticipate customers' needs through predictive and data analysis models.
- **Technological model**
Committed to a technological revolution that encourages greater self-management by customers.
- **Procurement and financial model**
Building a partnership model with suppliers and an alignment of the win-to-win objectives.

Provision of customer service at Naturgy:

- Digital Channel.
- Telephone Channel.
- Guarantee Office.
- Face-to-face Channel - Stores.
- Face-to-face Channel - Personal Manager.

The company manages claims and complaints from three different areas: commercialisation (residential, commercial and industrial) and gas and electricity distribution in Spain, Chile, Brazil, Argentina, Panama and Mexico. In the rest of the countries where the company is present, no complaints are handled as there are no end customers. During 2019, the company managed a total volume of 1,642,935 complaints and claims (it does not include the data from Panama, as it is not available), representing 3% of total customer contacts. The average global response time was 8.21 days.

With regard to commercialisation, complaints are periodically analysed by the Indicators Monitoring Committee and, in the event of any non-compliance, the necessary corrective actions are established for their correct resolution. Most claims are related to billing, contracting and collection.

In the area of gas and electricity distribution, any claim or complaint received from customers via the different channels available, whether through their gas or electricity marketer in issues for which the distributor is responsible (meter reading, supply quality, new registrations, etc.), directly with the electricity or gas distributor of the Naturgy Group through the customer service channels of the distributors, via the website contacts, by postal mail or through any competent organisation, is received and processed centrally in our integrated claims management system at the shared services department within the Third Party Access to the Network Unit (TPA) of the distribution companies.

The organisation handles not only customers of the electricity or gas system in its operational area, but also any individual or legal entity that may have a claim or complaint through the action or non-action of our distribution assets (works in progress, technical elements on public thoroughfares, etc.) is dealt with as if they were a customer.

Privacy and security of the customer's data

Naturgy, as part of its commitment to privacy and security of employee and customer data, has updated the cybersecurity regulatory body to adapt it to the new structure of the organisation. This update is being carried out using a series of international standards and best practices as a control framework, such as ISO 27001, NIST SP 500-53 or ISA 62441. The documents of the new regulatory body are published on the corporate regulatory site and are accessible to all group employees. Once the documents have been approved in their final version, they will be adapted for each of the geographical areas in which the group operates.

Work is underway to include cybersecurity from the design in projects through the Security in Projects initiative, whose medium- and long-term objective is to cover all projects and initiatives that arise within the group.

In relation to personal data protection, work continues in line with the requirements of the General Data Protection Regulation (GDPR), using the results of the Data Protection Impact Assessments (DPIA) to determine the technical measures that need to be applied to the systems (both in production and pre-production environments), establishing a benchmark of different tools to select the most appropriate one.

Responsible environmental management



What does this mean for Naturgy? Risks and management approach

Naturgy is aware of the environmental impacts that its activities have on the surrounding area, and the company therefore pays special attention to environmental protection and the efficient use of natural resources to satisfy the energy demand. We involve our suppliers and we work with and encourage our stakeholders to use energy responsibly both at our own facilities and at those of our customers.

Inadequate management of climate change and its associated risks can lead to substantial losses for the company, caused by the increase in exposure to natural disasters, the decarbonisation trend of the sector and the loss of affinity on the part of stakeholders. Moreover, improper environmental management can cause environmental impacts and the deterioration of natural conditions and biodiversity in the areas where the company operates. This, in addition to the direct impact on the environment, can cause the company reputational harm, and the risk is greater if the company has infrastructures and/or carries out operations in protected areas.



What is our commitment?

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

The previous commitments of the Corporate Responsibility Policy are developed in the Global Environmental Policy approved in the first half of 2019 and which applies to all countries and businesses, where it is established that, from its potential to contribute to environmental protection, Naturgy voluntarily assumes the commitment to be a key player in the energy transition towards a model of a circular, low-carbon and digital economy. To this end, four strategic environmental axes are established:

- Governance and environmental management.
- Climate change and energy transition.

- Circular economy and eco-efficiency.
- Natural capital and biodiversity.

Naturgy's basic principles of action in these axes are explained later in the corresponding sections.

As a complement to the Global Environmental Policy, in the second half of 2019 the Environmental Plan was approved, which defines the action lines to be developed within the framework of the Strategic Plan 2018-2022.



Monitoring indicators and objectives of the Environment Plan

Action	Indicator	Units	Objective
Strengthening governance in environment and climate change	Percentage of industrial Ebitda certified in ISO 14001.	%	Have a percentage of industrial Ebitda certified under ISO 14001 of at least 90% by 2022.
	Absolute GHG emissions Scope 1 and Scope 2.	million tCO ₂ e	Reduce emissions by 21% in 2022 compared to 2017.
Reduction of greenhouse gas emissions	CO ₂ intensity in power generation.	t CO ₂ /GWh	Reduce specific CO ₂ emissions from power generation by 22% in 2022 compared to 2017.
	Percentage of the generation mix from renewable sources measured in installed power over the total of the group.	%	Have, by 2022, a percentage of renewable power in electricity generation higher than 34%.
Renewable gas and boosting the circular economy	Total water consumption.	hm ³	Reduce water consumption by 20% in 2022 compared to 2017.
	Total waste production (hazardous + non-hazardous).	kt	Reduce total waste production (hazardous + non-hazardous) by 70% in 2022 compared to 2017.
	Percentage of total waste recycled and recovered (hazardous + non-hazardous).	%	Double the percentage of waste recycled and recovered by 2022 compared to 2017.
Protection of biodiversity and development of natural capital	Initiatives to improve biodiversity throughout the life cycle of the facilities (construction, operation, dismantling).	No.	Conduct at least 300 biodiversity initiatives per year.

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

In the following section, most of these indicators are monitored and the rest are analysed in the Corporate Responsibility Report, where annual fulfilment of the objectives is assessed.



How do we measure our performance?

Indicator monitoring_

	2019	2018	Unit
Direct greenhouse gas emissions (GHG)	15.4	18.3	MtCO ₂ eq
Emission factor for electricity generation	301	342	tCO ₂ /GWh
Installed capacity free of emissions ⁽¹⁾	30.1	27.5	%
Net production free of emissions ⁽¹⁾	27.0	24.9	%
Activity with environmental certification ⁽²⁾	88.7	88.7	%
Water consumption	20.0	26.5	hm ³
Consumption of raw materials	5,503	6,718	kt
Natural gas	4,897	4,736	kt
Coal	297	1,630	kt
Petroleum derivatives	309	352	kt
Uranium	0.01	0.01	kt
Direct energy consumption ⁽³⁾	58	61	TWh
Indirect energy consumption ⁽⁴⁾	632	641	TWh
Natural gas (final use of natural gas distributed/commercialised)	567	578	TWh
Electricity (for generated electricity supplied)	65	63	TWh
Resources targeted at the prevention of environmental risks ⁽⁵⁾	546	494	million euro

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

⁽²⁾ Percentage of Ebitda certified with regard to that which is certifiable. The Ebitda used to calculate this percentage corresponds to the end of November.

⁽³⁾ It includes consumption of renewable, non-renewable and electricity resources and separates the electricity and the heat sold.

⁽⁴⁾ In 2019, a new concept that had not been considered in previous years has been included, the indirect consumption of energy by generation of supplied electricity. To be able to compare it, the data has been calculated for the previous years.

⁽⁵⁾ All environmental expenditures and investments have been considered. Since 2018 the criterion has been changed and all investment in renewable energy is included.

Provisions and guarantees for environmental risks

The company makes financial provisions to cover the materialisation of potential environmental risks. In addition, Naturgy has guarantees to cover the occurrence of these risks in the insurance policies it has taken out. Specifically, the insurance policies that the company has contracted and in which there is environmental coverage are:

- **Environmental liability insurance**
Limit contracted for a value of 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 520 million per loss event.
- **Protection and compensation 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.



What are our main milestones in 2019?

- Approval of the Global Environmental Policy.
- Approval of the Environmental Plan 2018-2022, with actions, monitoring indicators and global objectives to strengthen environmental and climate change governance, reduce greenhouse gas emissions, promote renewable gas and the circular economy, protect biodiversity and develop natural capital.
- Recognition of Naturgy by CDP as a world leader for its action against climate change (2018 A List), the only Spanish energy company awarded this recognition.
- Application for closure of all coal-fired power stations.
- Growth of renewable power with low or zero emission.
- Development of renewable gas projects.
- Promotion of sustainable mobility.
- Extension of the biodiversity actions and plans.
- Progress in the certification of new environmental management systems pursuant to ISO 14001.
- Implementation in the gas distribution network in Spain of a new, more precise methodology for estimating methane emissions in networks based on a calculation by events, in accordance with the future European standard.



What are our goals for 2020?

- Growth of renewable energies, in line with the goal of the Strategic Plan 2018-2022 to contribute to the decarbonisation of the electricity generation mix.
- Closure of the coal-fired power stations in the first half of 2020 contributing to the mitigation of climate change and to the energy transition.
- Promote innovation and the development of renewable gas projects as an energy and storage vector that facilitates the transition to a circular and decarbonised energy model.
- Offer sustainable mobility solutions for cities and land and maritime transport that improve air quality.
- Protect biodiversity in operations, applying a preventive approach, implementing best practices and encouraging the creation of natural capital.

Analysis of 2019 results

Governance and environmental management

Environmental governance and management is a strategic pillar for Naturgy, which expresses its commitment in the Corporate Responsibility Policy approved by the Board of Directors and developed in the Global Environmental Policy, which was approved in the first half of 2019. The policy includes the company's action principles, with an emphasis on promoting the sustainable development of society through the supply of competitive, safe energy and with the utmost respect for the environment. The action principles in governance and environmental management are the following:

- Ensure compliance with environmental legislation and more stringent voluntary requirements; anticipate, as far as possible, adaptation to new regulations.
- Prevent pollution and reduce environmental impacts along the value chain by encouraging the involvement of employees, collaborating companies and stakeholders. Integrate the environment into management of risks and opportunities, as well as into mergers and acquisitions of assets through the performance of environmental due diligence.

- Establish targets that drive continuous improvement in environmental performance.
- Have an externally audited and certified environmental management system, in accordance with the criteria of the Global Policy of the Integrated Management System.
- Promote transparency, in line with international reporting standards, to facilitate communication with our stakeholders.
- Support the dissemination of knowledge and awareness on energy and environmental issues and to promote constructive dialogue with Public Administrations, NGOs, universities, customers and other stakeholders.

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

- Contribution to climate change.
- Pollution of air, water and land.
- Consumption of non-renewable raw materials.
- Biodiversity loss.

To minimise these effects, Naturgy employs a preventive approach throughout the entire value chain of its business:

- **Certified and externally-audited environmental management system** aimed at preventing pollution and reducing environmental impacts throughout the entire value chain, involving employees, suppliers and other stakeholders. During the design phase of new facilities and during dismantling, the environmental conditions of the surrounding area are studied and the projects are adapted, including the necessary preventive, corrective and compensatory measures. During the operational phase, strict monitoring is performed to ensure compliance with legislation and to maintain impacts within the limits set.
- **Integration of the environment in the management of risks and opportunities and in the decision-making processes**, paying special attention to climate change and the energy transition.

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

- **Themis**
For the identification, registration, monitoring and management of compliance with legal requirements.
- **Prosafety**
For recording and management of the findings, nonconformities, observations and opportunities to improve environmental management.
- **Enablon**
For recording and centralised management of environmental indicators related to atmospheric emissions, consumption of raw materials, water and other resources, discharges, waste, etc. The system is also used to monitor environmental targets and action plans.
- **Geographical information system of biodiversity**
Showing the protected natural areas, the group's facilities and the initiatives carried out to protect and improve natural capital.

- **Carbon footprint**

To determine greenhouse gas emissions throughout the entire value chain, including indirect emissions produced by third parties upstream and downstream of group activities.

- **DAMAS**

To identify and assess the direct and indirect environmental aspects of the company, allowing us to establish the most relevant aspects to take into account both in the environmental management of these as well as the environmental targets defined each year.

- **Environmental planning**

Through which action lines are defined, introduced and supervised to reduce environmental impact and for continuous improvement.

- **Environmental audits**

Both external and internal, conducted within the Scope of the integrated management system.

- **Specific tool for climate change 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 9001:2015 and ISO 14001:2015 standards. This system is audited externally every year. In 2019 this audit was carried out by AENOR in all businesses and countries.

The processes certified through this system are:

- Extraction and injection of natural gas.
- Transport and operation of the Maghreb-Europe gas pipeline.
- Electricity generation (thermal, hydraulic and wind and solar origin).
- Distribution of natural gas and electricity.
- Transportation of electricity.
- Wholesale and retail commercialisation of natural gas and electricity.
- Development and execution of engineering projects.

- Energy management in organised Iberian electricity markets.
- Corporate activities involving customer service, billing and collection, training and management of office buildings.
- Building maintenance.

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

Environmental risk management

Naturgy identifies, records and analyses all the environmental risks and events that have occurred in order to define, apply and disseminate preventive measures to reduce potential damage to the environment. To do this, facilities with environmental risk are assessed using recognised standards as a reference. The first element for management are self-protection plans and their associated procedures, in which the most appropriate risks and responses are identified in light of potential accidents and emergency situations that can cause environmental damage. In addition, there are global and uniform procedures and systems in the different businesses and geographies for reporting, classifying, monitoring and managing environmental events, including the tool Prosafety.

This methodology allows not only an adequate and uniform monitoring of environmental events, but also the identification, analysis, development, application and exchange of preventive measures and best practices in risk management at a global level.

For management of the climate change risk, Naturgy has a specific tool, developed in Ms Excel and @Risk,

which allows us to estimate the group's exposure to risks at an aggregate level and broken down by business and geography. This tool analyses the impact of climate change on different businesses and technologies, over time periods (short, medium and long-term) and geographies. This allows us to estimate the impact of different climate change scenarios (IPCC) through different indicators:

- **Physical**
Impact forecasts on energy (produced, traded, purchased, etc.) water level with regard to the height of the corporation's facilities, availability of hydric resources, etc.
- **Environmental**
Emissions of CO₂.
- **Business**
Market shares and penetration levels.
- **Economic**
Impact forecasts on level of revenue, Ebitda, cash-flow and present value of the business, as well as estimates of the value at risk for different confidence levels.

In addition, it means we can simulate new scenarios based on new products or services, the implementation of R&D&I actions, generating different scenarios to assess the impact beforehand in order to take the right decisions.

- Naturgy has a **voluntary objective for the reduction of emissions (Scopes 1 and 2) by 21% in 2022 with respect to 2017 values.**

Climate change and energy transition

Naturgy believes that climate change is a global environmental challenge and is committed to offering its customers eco-efficient and less CO₂-intensive energy products and services to help mitigate climate change and the energy transition. The principles actions in climate change and energy transition are the following:

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

Within the Environmental Plan, Naturgy has a voluntary objective for the reduction of GHGs: to reduce Scope 1 and 2 emissions by 21% in 2022 with respect to 2017 values. This target is aligned with science to avoid an increase in temperature above 1.5°C.

The main strategic lines of action in terms of climate to reduce GHG emissions are:

- Promote renewable energies and encourage their integration through the development of smart networks.
- Close down the coal-fired power stations.
- Promote natural gas as an alternative to the most emitting fossil fuels.
- Promote energy efficiency in our facilities and for our customers.

- Promote sustainable mobility that reduces GHG emissions and also air pollution, helping to improve air quality.
- Exploring and developing technologies to reduce emissions.

For management of climate change, the following means are available:

- Climate change risk management tool.
- Climate change and energy transition objectives included in the Environmental Plan.
- Measurement and control tools for GHG emissions and operational plans implemented to reduce them, including the annual calculation of the group's carbon footprint.
- Transparency and dissemination of information, publishing the carbon footprint report and participating in the international benchmark indices on climate change, such as the CDP.
- Participation in the following initiatives related to climate action:
 - Carbon Pricing Leadership Coalition (CPLC).
 - Caring for Climate.
 - Statement on fiduciary duty and climate change disclosure.
 - Corporate commitment with the Science Based Targets Climate Policy Initiative.

Circular economy and eco-efficiency

Naturgy promotes the circular economy through the efficient use of resources to reduce environmental impacts. The main action principles for the circular economy and eco-efficiency are as follows:

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

Within the framework of the integrated management system, Naturgy develops management and control procedures aimed at minimising the consumption of energy and resources and the generation of waste. That is disposed of in landfills, through prevention, reuse, recycling and/or energy recovery.

As far as energy consumption is concerned, Naturgy's commitment to renewables and the promotion of energy savings and efficiency, both at its own facilities and at its customers, contribute to reducing the environmental impact of unconsumed energy.

Water is another of the natural resources used, with most of the water collected for the processes being returned to the environment. In order to manage this resource properly, a risk assessment was carried out on water management, where the use of water by the facilities and the characteristics of the environment in which they are located were analysed, categorising them according to water stress.

Depending on its origin, the main source of supply is the sea, with fresh water accounting for a much smaller contribution. In global terms, most water consumption is due to the operation of the thermal power stations, in particular to the evaporation of water in the cooling towers. It is important to note that Naturgy, aware of the water stress or scarcity of water in the environments of some of its thermal power stations, introduced systems for the reuse of wastewater from cities or other industries in these facilities.

Regarding effluent discharges, at power stations we monitor and analyse not only the effluents, but

also the waters of the environment receiving the effluent discharges. The treatment equipment and systems worked as planned in 2019, complying with environmental permits. In addition, studies of the receiving environment reveal that no significant impacts were generated in the aquatic ecosystems where the effluent discharges are made.

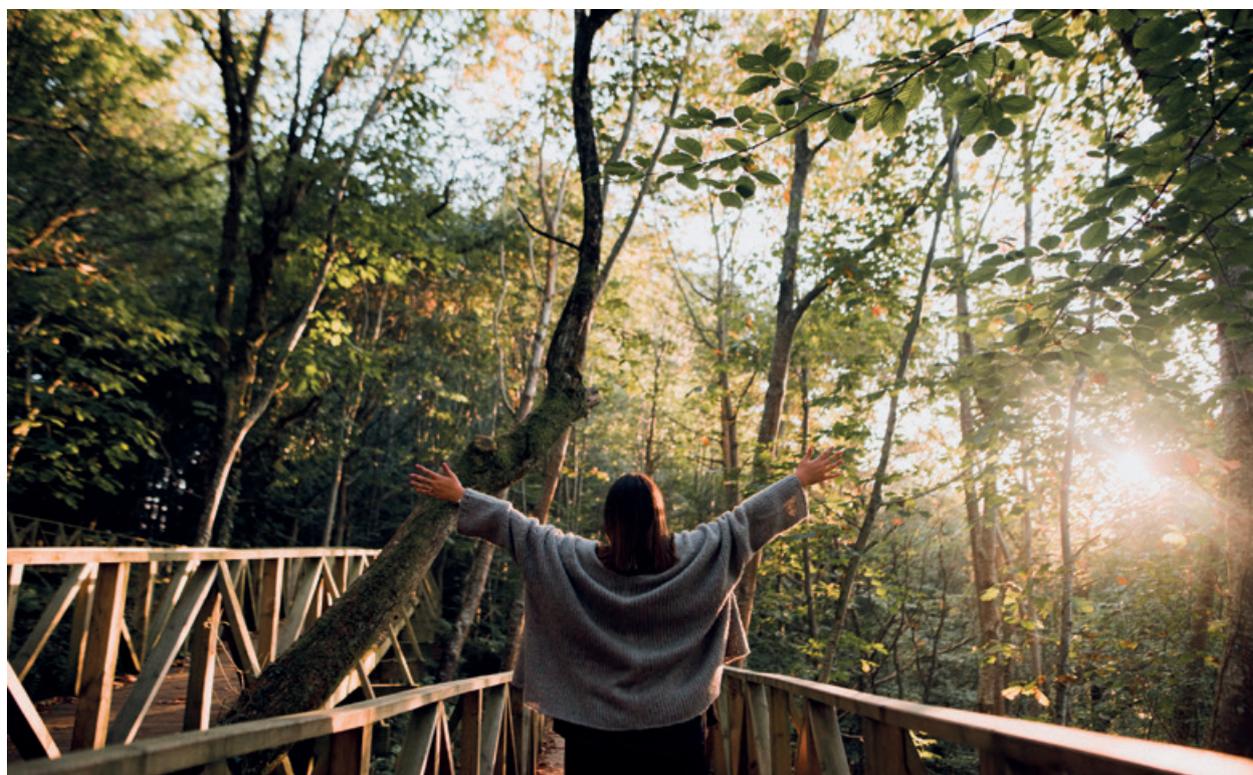
According to the data in the 2018 Corporate Responsibility Report, the trend with regard to waste is positive, as both the production of waste and the amount of waste going to landfill or being incinerated without energy recovery is decreasing. Most of the waste produced in 2018 (441.4 kt), 52% of which was ash and cinders from coal-fired power stations, was non-hazardous. The rest (8.4 kt) was hazardous waste. For operational reasons, data on waste generated in 2019 is not currently available. However, it is expected that in 2019 the trend will continue and the total amount of waste produced will be reduced, mainly due to lower coal generation (82% compared to 2018), as this is the main source of waste. In any case, detailed waste information will be made public in the 2019 Corporate Responsibility Report.

Moreover, numerous innovation initiatives are under development in the field of renewable gas, in order to promote this new energy vector. There are two sources of renewable gas. On the one hand, surplus renewable electricity at times of high production and reduced consumption, which are transformed into hydrogen through electrolysis of water. This process does not emit CO₂ and transforms water into hydrogen and oxygen molecules using electricity generated totally by CO₂-free sources. This hydrogen can be used as a direct fuel or converted into synthetic methane. The second source is organic waste from domestic waste or wastewater, farms, agriculture or food industries. This organic waste, which is subjected to a process of anaerobic digestion, is converted into a biogas, with a low concentration of methane, which is then subjected to a concentration process until it reaches the quality required for injection into the gas grids. Although the use of biogas is not new, the main innovation of the process is the second stage of "upgrading", which raises the concentration of methane to the required quality in the gas networks, allowing its injection, transport and use at points far from those of production, commoditising it for different uses, such as electricity generation, transport, industry and in the residential and commercial sectors.

The benefits of renewable gas include the reduction of greenhouse gas emissions, which can even be negative, depending on the source of the waste from which it is produced. Thus, the use of renewable gas would be a CO₂ sink, i.e. it would succeed in removing CO₂ from the atmosphere. This happens because organic waste is naturally decomposed by methane-generating bacteria. Since methane has about twenty-five times the global warming potential of CO₂, its use as a fuel reduces the climate impact by the same amount. In addition, the environmental management of such conflicting organic waste as livestock droppings, slurry, manure, chicken droppings, etc., sewage sludge or the organic fraction of domestic waste is improved, also avoiding the undesirable effects that these produce, such as water pollution, odours, etc. In the process, a by-product, the digestate, is also generated, which is an excellent fertilizer and can be introduced into the market, thus completing the logic of the circular economy. From the economic point of view, the advantages are also obvious, as it constitutes a new Business Model that supports rural development and the establishment of

employment and population in agricultural and livestock environments, through the development of new projects and facilities. As far as security of supply is concerned, the impact is clearly positive, reducing the country's external energy dependence and, therefore, its energy bill.

With regard to light and noise pollution and food waste, following the materiality analysis conducted by the company, these issues have not emerged as matters of the utmost importance, nor as other relevant issues for the company, which is why no information is included in this regard.



Natural capital and biodiversity

Naturgy is committed to the preservation of natural capital, biodiversity and cultural heritage in the areas around its facilities, with special attention paid to protected areas and species. The main action principles for natural capital and biodiversity are as follows:

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

The key impacts on biodiversity that may arise from the company's operation in the area of the sites and in the areas adjacent to them, are the following:

- Temporary condition affecting the fauna present in the environment, as a consequence of the construction of transportation and distribution infrastructure of gas and electricity.
- Permanent condition affecting bird life and arboreal vegetation, as a result of the operation of transport networks and the distribution of electricity.
- Impact on the abiotic and biotic environment of the environments around the facilities, as a consequence of emissions arising from combustion.
- Condition affecting the populations of species present in the environment, as a consequence of changes in land use and the permanent presence of the facilities in the natural environment.
- Effect on the aquatic environment, as a result of effluent discharges.
- Relevant effect on biodiversity (positive and negative), as a consequence of the creation of reservoirs associated with hydraulic power stations.

The development of Naturgy's activities requires the occupation of land. When the facilities are being

designed, environmental impact studies are conducted, in which the protected areas that have a high ecological value are analysed, adapting the project to avoid or minimise the impacts on biodiversity. In those cases in which it is not possible to completely avoid the impact, the required compensatory measures are introduced. Introducing additional voluntary measures contributes to the knowledge and mitigation of the impacts arising from the development of new projects and the operation of the facilities once they have been introduced. The company also takes into consideration the opinion of stakeholders in places where activities and projects are developed.

In addition, in the areas surrounding the facilities, especially in those that are close to protected areas or of high value for biodiversity, studies are carried out to improve the knowledge of the natural spaces and to reduce impacts.

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 measures carried out. This tool allows the identification, quantification, management and monitoring of impacts on biodiversity.

Interest in people



What does this mean for Naturgy? Risks and management approach

For Naturgy it is essential to foster a quality working environment. Naturgy also has a Code of Ethics that establishes the guidelines governing the ethical behaviour of all employees in their daily work and, specifically, with regard to the group's relations and interactions with its stakeholders.

With regard to attracting and retaining talent, the new profiles of workers do not have an internalised sense of belonging to the company and are looking for a job with which they feel fulfilled, so it is no longer sufficient to offer a suitable salary and development plan, and instead companies must offer a series of social benefits to employees and have values for society with which workers can identify.

The major transformation of the energy sector and digitalisation require new expertise and skills which, if they are not covered in a flexible way, would place the company at a disadvantage with its competitors, with the resulting consequences this could have on the business.



What is our commitment?

- To apply best practices in identifying, attracting and retaining the talent necessary for the development of the businesses, ensuring the principles of fairness and non-discrimination on any grounds whatsoever (disability, age, gender, etc.).
- To encourage the professional development of persons as part of the talent management model, ensuring that all professionals have the means, programmes and tools necessary to foster their skills and expertise.
- To promote a motivational work setting that guarantees internal recognition of the culture of effort, the autonomy required to be able to create, develop and innovate, and an overall framework of compensation that is commensurate with this.
- To promote the effective introduction of flexibility mechanisms that facilitate the balance between professional and personal life, and which favour the human and social development of persons.
- To promote diversity and equal opportunities in an environment of respect, understanding and ongoing dialogue, with a special focus on the inclusion of disabled persons and extending this commitment to suppliers and collaborating companies.
- To foster constant liaison between the company and workers' representatives that enables feedback in order to take decisions.



How do we measure our performance?

Distribution of employees by age, country, gender and professional category_

2019

	No. employees	Age			Management team		Middle managers		Technicians		Operators	
		18-35 (%)	36-50 (%)	>50 (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)
Argentina	1,175	23.8	38.0	38.2	3.7	0.9	12.4	4.2	14.9	6.8	42.1	15.0
Australia	10	33.3	55.6	11.1	-	-	11.1	-	22.2	-	55.6	11.1
Belgium	3	100.0	-	-	33.3	-	-	33.3	-	33.3	-	-
Brazil	456	21.5	63.5	14.9	4.8	3.7	8.4	5.9	21.3	16.3	27.5	12.1
Chile	2,471	21.0	48.9	30.1	2.9	0.8	12.9	3.1	31.8	10.6	25.2	12.7
Colombia	71	32.4	50.7	16.9	8.5	15.5	5.6	9.9	16.9	25.4	8.5	9.9
Costa Rica	20	15.8	63.2	21.1	-	-	5.3	-	10.5	-	78.9	5.3
Spain	6,017	9.2	61.8	29.0	10.9	4.6	15.2	4.9	20.5	16.2	17.5	10.3
France	53	54.7	45.3	-	13.2	3.8	9.4	5.7	24.5	35.8	1.9	5.7
Netherlands	7	50.0	50.0	-	-	-	16.7	16.7	33.3	16.7	16.7	-
Ireland	37	43.8	46.9	9.4	12.5	-	12.5	6.3	40.6	25.0	3.1	-
Israel	16	71.4	21.4	7.1	-	-	21.4	7.1	50.0	7.1	14.3	-
Morocco	93	8.6	36.6	54.8	4.3	1.1	40.9	2.2	11.8	2.2	26.9	10.8
Mexico	874	32.7	58.0	9.2	5.8	2.2	17.9	3.9	26.8	11.0	22.3	10.1
Panama	357	35.3	38.1	26.6	4.8	2.5	23.4	12.4	14.4	9.9	22.3	10.2
Peru	21	42.9	52.4	4.8	-	4.8	14.3	4.8	33.3	14.3	9.5	19.0
Portugal	17	29.4	70.6	-	-	5.9	-	-	23.5	52.9	-	17.6
Puerto Rico	4	25.0	25.0	50.0	50.0	-	-	-	-	-	-	50.0
D. Republic	75	14.7	65.3	20.0	-	2.7	25.3	9.3	2.7	8.0	49.3	2.7
Singapore	12	75.0	25.0	-	25.0	-	-	-	50.0	12.5	-	12.5
Uganda	58	66.7	26.3	7.0	1.8	-	35.1	3.5	5.3	-	45.6	8.8

The number of employees column contains the staff at year-end with centralised and non-centralised management by its percentage of participation; the rest of the information refers to the staff managed which are the staff of the companies integrated by the global integration method of consolidation.

The companies consolidated through the equity method and which do not provide a headcount breakdown would total 555 employees, distributed as follows: Spain 361, Egypt 87, Puerto Rico 29 and Kenya 78.

2018

	No. employees	Age			Management team		Middle managers		Technicians		Operators	
		18-35 (%)	36-50 (%)	>50 (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)	M (%)	W (%)
Germany	7	14.3	57.1	28.6	-	-	-	-	71.4	28.6	-	-
Argentina	767	21.3	37.4	41.3	3.7	0.8	13.7	3.5	15.1	4.8	45.0	13.4
Australia	8	50.0	37.5	12.5	-	-	-	-	25.0	-	62.5	12.5
Belgium	3	66.7	33.3	-	33.3	-	-	33.3	-	33.3	-	-
Brazil	478	25.7	61.5	12.8	5.2	2.9	12.8	7.1	15.5	11.5	29.3	15.7
Chile	3,046	27.2	49.1	23.7	2.2	0.8	12.6	3.2	26.5	11.0	33.7	10.0
Colombia	84	36.9	48.8	14.3	10.7	13.1	6.0	9.5	17.9	22.6	8.3	11.9
Costa Rica	20	20.0	65.0	15.0	5.0	-	5.0	-	10.0	-	75.0	5.0
Spain	6,532	11.1	59.9	29.0	11.0	4.4	15.2	4.6	19.9	15.0	19.2	10.6
France	66	57.6	40.9	1.5	10.6	3.0	6.1	7.6	28.8	31.8	3.0	9.1
Netherlands	7	28.6	71.4	-	14.3	-	14.3	-	28.6	28.6	14.3	-
Ireland	40	50.0	45.0	5.0	12.5	2.5	12.5	5.0	32.5	27.5	7.5	-
Israel	15	73.3	26.7	-	-	-	13.3	6.7	53.3	26.7	-	-
Morocco	93	7.5	43.0	49.5	3.2	1.1	39.8	2.2	11.8	2.2	29.0	10.8
Mexico	989	37.1	54.5	8.4	5.8	1.3	16.5	4.0	23.7	10.5	27.2	11.0
Panama	362	37.0	36.2	26.8	5.0	2.5	21.3	9.9	12.7	11.6	25.4	11.6
Peru	21	52.4	42.9	4.8	-	4.8	14.3	4.8	33.3	14.3	9.5	19.0
Portugal	18	38.9	61.1	-	-	11.1	-	-	16.7	44.4	5.6	22.2
Puerto Rico	5	20.0	20.0	60.0	40.0	-	40.0	-	-	-	-	2
D. Republic	84	19.0	66.7	14.3	1.2	2.4	23.8	9.5	3.6	7.1	50.0	2.4
Singapore	4	75.0	25.0	-	25.0	-	-	-	75.0	-	-	-
Uganda	51	66.7	29.4	3.9	2.0	-	39.2	5.9	-	2.0	43.1	7.8

Total number and distribution of employment contract types, annual average of indefinite, temporary and part-time contracts by age, gender and professional category ⁽¹⁾

In the Naturgy Group there are no part-time contracts, all contracts are full-time.

Number of contracts by gender and type_

(at 31 December)

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

Annual average of contracts by gender and type_

	2019		
	Men	Women	Total employees
Indefinite full-time	8,050.2	3,666.7	11,716.8
Indefinite part-time	-	-	-
Total indefinite	8,050.2	3,666.7	11,716.8
Temporary full-time	134.9	92.9	227.8
Temporary part-time	-	-	-
Total temporary	134.9	92.9	227.8
Total full-time	8,185.1	3,759.6	11,944.7
Total part-time	-	-	-

⁽¹⁾ The number of permanent and temporary contracts is calculated using the fixed/temporary classification obtained from the HR master file extracted from the HRM software tool on the last day of each month. The calculation of the average is done by taking all the personnel master files of each month and calculating the annual average.

Number of contracts by age and type_

(at 31 December)

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

Annual average of contracts by age and type_

	2019			
	18-35 years	36-50 years	>50 years	Total employees
Indefinite full-time	2,092.5	6,485.5	3,138.8	11,716.8
Indefinite part-time	-	-	-	-
Total indefinite	2,092.5	6,485.5	3,138.8	11,716.8
Temporary full-time	139.9	82.4	5.5	227.8
Temporary part-time	-	-	-	-
Total temporary	139.9	82.4	5.5	227.8
Total full-time	2,232.5	6,567.9	3,144.3	11,944.7
Total part-time	-	-	-	-

The information published in 2018 does not allow for comparisons with the data for 2019, when the calculation of this indicator was further developed. However, the data for 2018 are provided:

Staff by contract type_

(%)

	2018	
	Men	Women
Permanent contracts	67.7	30.1
Temporary contracts	1.2	1
Total		100.0

Annual average of temporary contract staff by professional category_

	2018	
	Men	Women
Executive	2	-
Technicians	102	70
Administrative	-	-
Operators	110	62
Total	214	132

Annual average of temporary contract staff by age_

	2018	
	Men	Women
18-35 years	137	92
36-50 years	68	38
>50 years	9	2
Total	214	132

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

Number of dismissals by age group, gender, and professional category_

	Professional category			Age		
	Executive	Technicians	Administrative/ Operators	18-35	36-50	>50
	2019					
Men	8	113	219	105	163	72
Women	2	20	27	21	21	7
Total	10	133	246	126	184	79
	2018					
Men	9	111	70	60	72	58
Women	2	32	55	23	44	22
Total	11	143	125	83	116	80

Salary gap (fixed + variable) ⁽¹⁾ _ (%)

	2019			
	Executive	Technicians	Administrative	Operators
Argentina	28.3	0.9	8.4	14.0
Brazil	1.9	15.5	42.5	23.6
Chile	49.6	7.4	25.5	34.4
Colombia	29.7	5.9	(1.6)	-
Spain	13.1	6.1	7.9	23.1
France	37.5	15.2	11.8	-
Ireland	-	25.1	-	-
Morocco	2.4	1.2	(2.2)	-
Mexico	1.4	0.9	(30.7)	2.9
Panama	(18.1)	(12.7)	0.5	
Portugal	-	18.5	-	-
Dominican Republic	-	1.2	24.4	-

⁽¹⁾ Includes fixed remuneration and variable remuneration.

Average remuneration by age group, gender, and professional category ⁽¹⁾

Variable remuneration was considered to be the amount received by employees under the Management by Objectives, Performance Management and Commercial Variable Remuneration programmes.

Fixed + variable Remuneration ⁽¹⁾

(in euros)

	2019							
	Executive		Technicians		Administrative		Operators	
	M	W	M	W	M	W	M	W
Argentina	85,380	61,258	23,382	23,161	16,508	15,119	17,709	15,221
Brazil	52,054	51,074	24,187	20,435	31,043	17,862	15,663	11,965
Chile	164,176	82,754	36,704	34,000	22,134	16,480	16,219	10,646
Colombia	148,985	104,717	15,643	14,719	8,508	8,648	-	-
Spain	114,090	99,173	51,887	48,705	39,094	36,020	37,982	29,207
France	132,735	82,902	59,679	50,637	37,917	33,444	-	-
Ireland	168,869	-	80,309	60,122	-	-	-	-
Morocco	98,152	95,782	34,924	34,504	13,443	13,743	18,196	-
Mexico	53,594	52,856	21,445	21,247	8,400	10,983	7,612	7,387
Panama	42,081	49,698	18,757	21,135	19,668	19,570	15,451	-
Portugal	-	97,882	51,556	42,023	-	27,493	-	-
Dominican Republic	-	88,337	26,246	25,920	13,438	10,159	12,998	-

	2019		
	18-35 years	36-50 years	> 50 years
Argentina	14,443	18,924	21,958
Brazil	6,652	10,444	12,065
Chile	20,698	31,131	30,695
Colombia	9,661	34,222	110,120
Spain	34,879	49,140	61,252
France	42,475	62,876	63,319
Ireland	35,191	68,708	75,868
Morocco	15,259	35,529	39,935
Mexico	15,638	18,944	18,434
Panama	19,251	27,066	30,559
Portugal	41,691	46,361	-
Dominican Republic	11,604	19,690	22,190

⁽¹⁾ In the case of average remuneration, the category Administrative has been considered, since it corresponds to the professional group "management/support" of the salary tables included in the collective agreement. In addition, in the tables in the previous section, which refer to the types of contract and number of employees, among other data, these Administrative staff are included in the Operators and Technicians groups, as none of the work they perform is considered administrative.

⁽²⁾ Includes fixed remuneration and variable remuneration.

Average remuneration of executives

The remuneration of the executives of Naturgy is detailed on an individual basis in Note 36 of the Consolidated Annual Accounts.

Average remuneration of executives by gender and typology_

(thousand euro)

	2019		2018	
	Men	Women	Men	Women
Executive ⁽¹⁾	1,100	-	1,056	-
Independent/Proprietary	262	235	288	229

⁽¹⁾ It does not include remuneration for executive functions.

Employees with disabilities_

(%)

	2019	2018
Germany	-	-
Argentina	0.5	0.8
Australia	-	-
Belgium	-	-
Brazil	2.9	-
Chile	0.5	0.2
Colombia	-	-
Costa Rica	-	-
Spain	2.3	2.4
France	-	1.5
Netherlands	-	-
Ireland	-	-
Israel	-	-
Morocco	1.1	1.1
Mexico	0.6	-
Panama	1.4	1.7
Peru	-	-
Portugal	-	-
Puerto Rico	-	-
Dominican Republic	-	-
Singapore	-	-
Uganda	-	-

Percentage of employees covered by collective bargaining agreements

The II Naturgy Collective Bargaining Agreement applies to all active workers in all Naturgy Group companies in Spain, except for Exempt and Excluded Personnel.

The following are considered exempt personnel: Directors, Deputy Directors and Department Heads

of the company's structure, whose employment relationship is regulated by the provisions of their individual employment contracts.

Those workers who are not exempt from the agreement and who occupy positions of special dedication are considered to be exempt personnel. Excluded personnel have their employment relationship regulated by means of an individual employment contract in which their desire to be excluded from the agreement is reflected.

Employees not covered and covered by collective bargaining agreements_

(%)

	2019		2018	
	Not covered	Covered	Not covered	Covered
Germany	-	-	-	100.0
Argentina	28.6	71.4	19.3	80.7
Australia	-	100.0	-	100.0
Belgium	-	100.0	33.3	66.7
Brazil	27.0	73.0	25.5	74.5
Chile	5.0	95.0	4.6	95.4
Colombia	46.5	53.5	47.6	52.4
Costa Rica	-	100.0	-	100.0
Spain	32.8	67.2	32.0	68.0
France	71.7	28.3	72.7	27.3
Netherlands	-	100.0	-	100.0
Ireland	100.0	-	100.0	-
Israel	-	100.0	-	100.0
Morocco	35.5	64.5	34.4	65.6
Mexico	20.8	79.2	19.0	81.0
Panama	57.3	42.7	61.9	38.1
Peru	-	100.0	-	100.0
Portugal	-	100.0	-	100.0
Puerto Rico	75.0	25.0	-	100.0
Dominican Republic	4.0	96.0	3.6	96.4
Singapore	-	100.0	100.0	-
Uganda	-	100.0	-	100.0
Total	26.0	74.0	24.1	75.9

Training

Training hours of trained staff_

	2019	
	Training hours	Trained staff (%)
Management team	34,846.5	88.0
Middle managers	75,496.8	90.3
Technicians	81,600.2	85.8
Operators	84,422.1	82.5
Total	276,365.6	85.8
		2018
Total	645,311.0	91.0



What are our main milestones in 2019?

- Application of the new **People Model**.
- **DigitalTEAM**. New ways of working project.
- **IMAGINAT**. New work spaces project.
- Launch of the **Transformational Leadership Academy**.
- **In-house Communication Plan** focused on: corporate priorities, the executive role in communication, and fostering participation.



What are our goals for 2020?

- Development of programmes for profile assessment, development and transformation of talent.
- Comprehensive diversity programme: gender, training, capabilities and geography.
- Measuring employee commitment.
- Development of new ways of working: transversal, multidisciplinary and light structures.

Analysis of 2019 results

People management model

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

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

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

Specifically, the 2019 management meant advancing the Job Assessment and Compensation Model for the entire company. Likewise, the connection of the Talent and Leadership Model with Naturgy's strategic vision is made, through simplification of the skills map, updating of the map of succession of management positions and the 360° evaluation, among others. Each of these elements is managed together with the company's different businesses, allowing the monitoring and evolution of its professionals.

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

Measures to foster employment

Naturgy has a pool of young professionals with sound technical and management training, through the annual programmes of work experience and the agreements for Dual VT, a pool that enables us to respond to the

company's needs and to attract the best talent in those spheres of knowledge in which Naturgy is the leader. The company has the following programmes to promote the employability and incorporation of young talent:

- **Professional practices programme**
Naturgy has partnerships with the main universities and higher education centres in those countries where it operates, through which it selects young people for work experience each year.
- **The Dual VT**
Offers Naturgy the opportunity to participate in the vocational training of young people, developing academic content adapted to the needs of the company, ensuring rapid adaptation to the working environment.
- **Management staff**
A further programme that the company has been running since 2012 and through which it incorporates external young professionals, ensuring the attraction of high potential professionals and high performance requirements, specifically designed to accelerate young talent.

Equality, diversity and non-discrimination

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

Naturgy's Corporate Equality Plan, approved together with the Trade Union Representative, published in the Official State Gazette (BOE) under Registration No. 90100073112013. It is based on 14 strengths to be maintained and 14 weaknesses to be corrected identified by outsourced experts, giving rise to actions on issues of communication and raising awareness, culture and leadership, development and promotion, remuneration, flexible employment and work/life balance, selection, prevention of harassment, measurement and monitoring.

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

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

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

The protocol offers a series of guarantees, inter alia the complete anonymity of the informant; the process will be completed as expeditiously as possible; the intervention of the workers' representatives may be requested and an impartial hearing guaranteed, along with fair treatment for all of the affected parties. No reprisals will be allowed and the identity of the informers will be protected.

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

- **Informal procedure**

Through which the affected party informs the alleged aggressor that this behaviour is not welcome, that it is offensive and interferes with their work. And if the situation is not resolved, then the formal procedure will be instigated.

- **Formal procedure**

Through which the harassment situation is reported, following these steps:

- Notification to the Ethics and Compliance Committee or reporting to their superior or to the people management department, who will decide whether to accept it for processing.
- Investigation, gathering information and conducting interviews with the affected parties and witnesses, if there are any.
- Possibility of introducing precautionary measures.

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

In 2019, the company's commitment to diversity remained strong, consolidating the Integrated Diversity Plan which brings together specific initiatives, in all geographies and territories, for people management, classified into three areas: gender, disabilities and age.

The inclusion of people with disabilities at Naturgy is promoted by Management itself through specific initiatives and programmes, the most relevant of which are:

- **Family Plan**

This provides relatives of employees with advice from professionals and experts in disability and employment integration, so that from the earliest ages they can develop the skills and abilities that enable persons with disabilities to increase their autonomy and employability.

- **Capacitas Plan**

This aims to promote the employment of people at risk of social exclusion on grounds of disability.

- **Aflora Plan**

This encourages those employees of Naturgy with some degree of disability to contact the company for information on new measures specifically designed to achieve the full integration of everybody in a unique environment of diversity.

■ **Bequal Plus certificate**

Naturgy has been certified until 2020, duly substantiating the level of commitment to Corporate Social Responsibility and Disability.

The Naturgy Equality Plan sets out a best practices protocol to avoid discrimination in the selection processes, and which includes the following measures:

- Open up the spectrum of recruitment sources to associations and foundations to guarantee equal job opportunities at the company.
- In the publication of job offers:
 - No discriminatory terminology is used.
 - Put the feminine gender first followed by the masculine.
 - Gender separation will always be carried out with slashes.
 - Do not use any notation as a requisite that does not offer equal conditions to the different candidates on the grounds of gender, appearance, disability, age, religion or personal beliefs of any kind.
 - Only specify the need for a driving licence when the job requires this.
 - Do not use possession of own vehicle as a requirement.
 - Do not use the need to reside near the place of work as a requirement.
- In the selection process:
 - In the case of disabled candidates, make sure we have the accessibility required so that they can attend the interview with us.
 - Avoid prejudices and stereotypes associated with gender, appearance, disability, age, religion, religious beliefs of any kind.
 - Transmit the corporate image.
- Avoid personal questions and, if necessary, justify them.
- Avoid preferential treatment.

- In the finalisation of the process:
 - Explain the result of the process.
 - Explain the next steps if they have passed the process.
- On joining the company:
 - Inform them about the equal opportunity policies.
 - Transmit values.
 - Non-discriminatory social benefits.
 - Career plans based on merits and capabilities.

In addition to these specific programmes, regular awareness-raising activities are held for employees and their families, such as the camp for employees' children with disabilities, and an inclusive calendar, among others.

Training and development

In-company training is a strategic lever for transformation, contributing to continuous learning, development and empowerment of professionals to make Naturgy's business vision a reality.

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

The CU training model is deployed through three academies which, in a supplementary and synergistic way, allow the company to face the training challenges of the present and future:

- **The Transformational Leadership Academy (TLA)**
Training environment focused on the Naturgy executive, directive, managerial and high potential team, the aim of which is to promote transformational leadership, thus strengthening the role of natural accelerators of organisational and cultural change, driving the evolution of Naturgy.
- **The Tech Academy (TA)**
Guarantees the transfer of specific technical knowledge in each business, thus permitting its efficient development and at the same time ensures quality and uniformity in all countries. It offers learning programmes on new methodologies and technologies, preparing professionals to carry out their work in a digital and technologically advanced environment.
- **The Extended Academy**
Aimed at offering training content to collaborating companies in technical matters, safety and risk prevention, legal concepts and customer orientation.

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

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

The excellence in management of the Corporate University is supported by a Quality Management System based on ISO 9001:2015, renewed in 2019. Since 2003, it has also had the Corporate Learning Improvement Process (CLIP) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations. The last CLIP renewal was in 2018 for a five-year period.

- **In-company training is a strategic lever for transformation**, contributing to continuous learning, development and empowerment of professionals to make Naturgy's business vision a reality.



Flexibility

Naturgy is a committed company that encourages and promotes the reconciliation of work and family life of its employees. Reconciliation and joint responsibility are permanent objectives.

The group's Collective Bargaining Agreement contains a broad chapter on Social Responsibility, Equality and Reconciliation of work and family life, including measures aimed at achieving actual and effective equality between men and women. These measures, which go beyond what is legally established, allow a greater and better reconciliation of employees.

During 2019, progress has continued to be made in the implementation of policies that promote reconciliation and joint responsibility, obtaining an important achievement in this area. The agreements reached regarding the possibility of benefiting from greater flexibility in working hours, both in terms of adaptation and duration, as well as the implementation of remote work, are improving the possibilities of reconciliation and joint responsibility of our employees.

Global FRC Certification

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

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

In 2019, the management of the model has been deployed through 472 local measures, distributed among the different countries where it operates, and also 21 global measures, all of them integrated in the six action groups defined by the Global FRC Standard 1000/23: quality in employment, time and space flexibility, support for the employees' families, support for the personal and professional environment, equal opportunities and leadership and management style.

Time bank

Naturgy provides its employees with a space, both physical and virtual, where they can delegate the performance of daily tasks in order to increase the free time they can spend on other aspects of their personal life.

The wide range of services offered by the Time Bank is structured into:

- **Administrative tasks**
Advisory and assistance services for frequent administrative tasks.
- **Advantages club**
An exclusive virtual space with more than 500 offers.
- **Easylife space**
Outreach services and acquisition of products.
- **Services available**
On a quotation basis.

The Naturgy Time Bank also has an Easybox that allows for management of more than 20 different services through an interactive ticketing system and a website, with the advantage of delivering and collecting at the time that suits the employee. Access to these services is built into the My Benefits platform, on the corporate Intranet of Naturgy.

New reconciliation measures

In 2019, progress has been made in the implementation of new measures to reconcile work and family life, such as greater flexibility in the working day, the possibility of adapting its duration, and the implementation of remote working, which, together with the existing measures, promote reconciliation and are a clear example of the Company's commitment to its employees.

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

- Paid leave that goes beyond the legal regulation, in cases of marriage, separation or divorce, marriage of parents or children, in cases of death or serious illness of relatives, in cases of moving home, cases

of assisted fertilisation. Increase in the duration of breastfeeding leave or paid leave from the 38th week of pregnancy.

- **Unpaid leave**
In cases of assisted fertilisation, international adoptions, the repeated need to accompany relatives for medical care.
- **Flexibility**
In arrival and departure, in the lunch period, continuous uninterrupted working day every Friday of the year, flexible working times.
- **Reduced working hours**
Possibility of reduced working hours in cases other than those regulated by law.

Compensation and remuneration

The remuneration policy is governed by equity on an internal scale and competitiveness from the market point of view. There are two remuneration models, one for employees included in the collective bargaining agreement and another for employees not included.

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

The remuneration package for Naturgy employees is supplemented with a social benefits system, which includes a Pension Plan and Other Social Benefits.

In 2019, the Total Compensation Plan was consolidated, allowing employees to personalise the composition and compensation package offered by the company. This plan, which is compatible with the flexible remuneration system, allows the employee to decide on the composition of their remuneration package, and they may choose to monetise the benefits, maintain the corresponding benefit or allocate the amount to other benefits.

The Joint Pension Plan for Employees of the Naturgy Group is a defined contribution pension plan for the contingency of retirement and a defined benefit plan for the contingencies of death and disability in service. At year-end, it has assets in excess of Euros 500 million, distributed among more than 6,000 active employees, and about 2,800 beneficiaries.

In the international arena, the group's policy is based on the provision of retirement savings instruments and death and disability coverage whilst an active worker, taking into account the particularities and social welfare needs of each country.

By the same token, the company provides a series of social benefits that supplement employee remuneration packages, irrespective of their type of workday.

Labour relations

Respect for the freedom to join a union; fundamental rights; collective bargaining, and the agreement culture represent the key principles of what we do. Furthermore, we respect workers' representatives freely elected in all countries where the company operates, and we have also introduced communication channels with these representatives as a major part of our corporate action principles.

The collective bargaining agreements include several communications channels with representatives, under the form of committees to deal with the many and varied aspects of general interest.

One of the mechanisms for consultation and employee participation are the regular health and safety meetings held in all areas of the company. This means that all employees have a channel of direct participation

available to them through the joint meetings between management and employees, and 100% of the staff is represented at meetings.

It should be noted that the holding of these meetings is to not replace the various health and safety committees required under labour legislation and which correspond to each country. The main issues, formerly dealt with during 2019 of these kinds of meetings with the workers' representatives, were:

- Health and safety commitment.
- Analysis of the accident rate.
- Launch of new regulations.
- Comprehensive health.
- Quarterly monitoring of measures.

The consultation and participation of workers is a vital element in the management of health and safety at Naturgy, which establishes, implements and maintains specific processes and bodies at all levels of the organisation, facilitating the appointment of representatives and their participation in them.

Mainstreaming and collaborative work that promotes the commitment of the entire organisation in matters of health, safety and the environment is a key lever for the development of projects and actions aimed at transformation, innovation and improvement of activities and processes and the achievement of optimal results.

Health and safety



What does this mean for Naturgy? Risks and management approach

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

The 2019 Safety Plan has included several relevant lines of action aimed at controlling the six most critical risk factors for accident frequency and severity. For each of these six risk factors (confined spaces, work at height, electrical risk, tree felling and pruning, cargo handling and road safety), "red lines" have been defined, non-compliance with which has been the subject of special supervision and the application of a disciplinary regime.



What is our commitment?

- Guarantee that health and safety are non-delegable individual duties, and that they are taken on by senior management through a visible collective commitment, proactively accepted and implemented by the entire organisation, and by our suppliers and collaborating companies.
- Ensure that any potential risk situations are brought to attention, assessed and managed in the appropriate manner.
- Work to maintain a risk-free working environment by integrating prevention of occupational risks, and the protection and promotion of health and well-being into business management.
- Establish learning as the driver of a safety culture, by means of ongoing training, accident and incident analysis, the dissemination of lessons learnt.
- Incorporate health and safety criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and collaborating companies.
- Invest in new strategies of health education and health promotion, which allow the workplace to become the vector of transmission of healthy conduct for workers and their environment.



How do we measure our performance?

Accident indicators ⁽¹⁾

	2019			2018		
	M	W	Total	M	W	Total
No. of lost time accidents (No. of employees)	14	-	14	15	1	16
Days lost of lost time accidents	704	-	704	932	24	956
Fatalities	-	-	-	-	-	-
Lost time accidents frequency rate	0.18	-	0.12	0.16	0.02	0.12
Lost time accidents severity rate	8.94	-	6.04	10.05	0.58	7.13

⁽¹⁾ Calculated according to the OSHA standards (indicators for every 200,000 hours worked).



Occupational illnesses

There have been no occupational illnesses registered in 2019 and 2018.

Absenteeism

Absenteeism data is shown for those countries that have an organisational structure or health team, or Human Resources team with people managers and that apply the Master Health Plan.

Total Lost Hours ⁽¹⁾ _

	2019	2018
Spain	315,410	382,146
Chile	186,882	250,980
Argentina	36,184	33,912
Brazil	15,726	15,749
Colombia	1,369	3,160
Costa Rica	252	813
France	3,136	3,836
Morocco	1,180	2,899
Mexico	14,424	9,840
Panama	4,666	8,790
Peru	104	152
Dominican Republic	1,432	3,184
Uganda	493	313
Total	581,258	715,774

⁽¹⁾ We have considered the hours of absenteeism for occupational illness and non-occupational illness, and the total number of hours worked in 2019 was 23,462,341.



What are our main milestones in 2019?

- Health and Safety Action Plan 2019.
- **Horus**
Multi-factor analytical preventive analysis.
- **Integra**
Exchange of best practices and learning through collaboration with collaborating companies.
- **Kepler**
Innovation project applied to prevention.



What are our goals for 2020?

- Migration from OSHA 18001 to ISO 45001 standard.
- Maintenance of health and safety certification in all businesses and countries.
- Consolidation of the Safety Plan.
- Consolidation of the Comprehensive Health Plan for the improvement of the well-being of its employees and families.

Analysis of 2019 results

Health and Safety Strategy

Naturgy's safety strategy, developed in collaboration with the business units, is structured through the following elements:

- A stable health and safety culture throughout the organisation.
- A relational and governance model, integrated at the highest level and with a structure of Environmental Health and Safety (EHS) committees of a transversal nature and specific to the business units, which guarantees the uniform implementation of criteria.
- The integration of health and safety in the value chain, including procurement, design and planning of activities and facilities, implementation and all elements that support control and monitoring.
- An integrated occupational health and safety

management system audited and certified by a third party, with Scope for all businesses.

- Action plans to address the most critical aspects, ensuring the implementation of preventive and/or corrective measures and strategic lines of work.
- Training itineraries and requirements adjusted to the job, and training and awareness to achieve the commitment of the group and its collaborating companies.
- Uniform supervisory tools for the assessment and monitoring of risks, legal requirements, accidents and lessons learnt and their dissemination.
- Periodic reporting of health and safety performance, adjusted to the needs of the different stakeholders, with transparent and clear communication.

Five lines of action on which the management system pivots:



01

Leadership



02

Employees



03

Collaborating Companies



04

Security management of processes and facilities



05

Society

Health and safety leadership

2019 saw approval of the Global Health and Safety Policy, which reinforces safety as a key factor of business leadership and ensures compliance with the commitments made in the Naturgy's Corporate Responsibility Policy. It places the focus on governance and links directly to Senior Management, enhancing its leadership in safety to ensure application of the model in all businesses and activities —both in-house and outsourced. In addition, the policy is linked to monitoring the evolution of KPIs and action plans arising from incidents and accidents.

Risk management

For the assessment and control of health and safety risks, Naturgy has technical procedures and standards of a transversal nature that apply to the whole group. The business units guarantee its dissemination and implementation and ensure adequate operational discipline in its application.

The safety management model articulates different tools that have been developed around the company's main health and safety axes:

Risk assessment and management mechanisms

Instruments for inspection, monitoring and 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.

Risk map and process safety management

The maintenance and verification programmes for regulatory compliance of facilities are supplemented by process safety management standards aimed at ensuring the mechanical integrity of assets, management of changes —both in personnel and in technology and facilities— and adequate management of possible emergencies.

Prevention of risks at collaborating companies: suppliers, contractors and subcontractors

Specific management mechanisms aimed at ensuring strict control of the critical factors of accident rates, promoting ongoing improvement and significantly reducing accident rates at collaborating companies.

Management and investigation of accidents and incidents

Essential for the identification of actions aimed at minimising risk situations, improving the safety of operations and reducing the associated accident rate. As a new feature of the unified incident investigation system, the root cause analysis model has been optimised, based on existing best practices and the Human Factor Analysis Classification Scheme (HFACS) methodology.

Communication to employees and action plans

In addition to the Annual Publication of Performance, the company regularly carries out communication actions aimed at the entire organisation, taking into account diversity aspects and the points of view of stakeholders, including suppliers and visitors.

Based on the specific channel of the intranet, this year's Communication Plan has focused mainly on the 2019 Action Plan.

Consultation and participation

Naturgy establishes, implements and maintains specific two-way processes and bodies with employees: Health and Safety Committees, channels of participation and consultation, regular meetings, individual tools and reporting channel.

Dissemination

The company promotes actions aimed at improving the safety of the environment in which it carries out its activity: participation in forums, collaboration with administrations and companies or sponsorship of best practices.

Training and awareness

Naturgy has a variety of consolidated learning tools and relies on the Occupational Risk Prevention Classroom, —a tool of the Corporate University— to meet the established objectives.

Training of collaborating companies

We work to extend the culture of health and safety to suppliers, collaborating companies and their employees through dissemination and awareness. In 2019, the content of the leadership and awareness courses has been updated and global internal regulations have been introduced to coordinate operational units and collaborating companies.

Safety among customers and society

Naturgy ensures that communication channels are established and maintained with customers and society regarding product/service information and the safety of these, incident management and protocols for action in emergency situations and contingency actions.

Certifications, safety audits and process diagnostics

Naturgy has an occupational health and safety management system, audited and certified by a third party in accordance with the OHSAS 18001 specification and whose Scope is global, including all businesses and countries.

In 2019 the Annual Safety Audit and Diagnostic Plan concluded with a positive assessment of the level of implementation and integration of the management system, which is effectively maintained and complies with the obligations established under prevailing legislation. One new item in 2019 has been that the transition to the new ISO 45001 standard has started.

Health

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make

available to employees, their relatives, collaborating companies, customers and the social environment in which the company operates, a global, health and welfare strategy that encompasses everything necessary for their benefit, both with regard to prevention, promotion and healthcare, in a customised way, as well as training and information with regard to healthy habits, taking into account both individual needs as well as the particular circumstances of each country.

Master Health Plan

This plan defines the strategic guidelines and establishes the general framework for action of Naturgy in the field of healthcare, ergonomics and psychosociology. The responsibilities under the plan correspond to each and every one of the business areas and countries within the group. In addition, comprehensive medical and health assistance services act as advisors for the development, monitoring and control of the plan in each of the areas.

Master Health Plan targets

- **Standardised actions**
Ensuring the health of workers, developing standardised actions respecting differences inherent in each country.
- **Compliance with regulations**
Monitoring compliance with the relevant regulations to each area in the field of healthcare.
- **Activities by external collaborators**
Coordinating the development of activities by external collaborators and establishing monitoring and control measurements.
- **Definition of indicators**
Defining the indicators necessary to assess the implementation and development of the Master Health Plan, as well as all of the involved activities.
- **Continuous training**
Ensuring continuous training of professionals in the activity, information about the latest technological developments and promoting creativity for innovation.

Responsible supply chain



What does this mean for Naturgy? Risks and management approach

Suppliers and collaborating companies are key players in the optimum performance of the value chain of Naturgy, and the company therefore promotes relations based on trust, that are stable, sound and of mutual benefit, under the principles of transparency and risk management.

Naturgy establishes objective and impartial mechanisms of assessment and selection of suppliers, ensuring that the supply chain complies with the principles set out in the Supplier Code of Ethics, to which all suppliers have to adhere and the content of which comes from the Code of Ethics of Naturgy, from the Human Rights Policy, from the Health and Safety Policy, from the Anti-Corruption Policy, as well as the internationally acknowledged good governance principles.

The risks to the company extend beyond its activity, as it can be severely impacted by the inadequate performance of its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption. The management of these risks is included in the supply chain management model, which the company has implemented globally and which is detailed below.



What is our commitment?

- Extending the culture of Naturgy to the supply chain, passing on the target of excellence in service, efficient use of resources and the company's principles of acting responsibly, and encouraging the incorporation of sustainability criteria in their daily management.
- Fostering compliance with the codes and policies of Naturgy in the supply chain, in particular in the area of human rights, ethics, health and safety and the environment.
- Encouraging the hiring of suppliers from the country or region where the company performs its activities against similar competitiveness in other locations, supporting the generation of a positive social impact.
- Fostering practices that encourage traceability and fair trade of raw materials at source.



How do we measure our performance?

	2019	2018
Total number of suppliers	7,896	10,376
Total purchase volume awarded (million euro)	2,510	3,147.02
Number of ESG ⁽¹⁾ suppliers assessed	7,407	8,376
Number of critical suppliers	2,135	1,852
Official-approval suspended suppliers	-	1

⁽¹⁾ Environmental, Social and Governance (ESG). The suppliers assessment conducted at the main subsidiaries of the group where the Achilles tool is implemented, and through which the business classification of suppliers is carried out.



What are our main milestones in 2019?

- Implementation of quarterly monitoring of suppliers based on reputational, economic-financial and CSR ratings of external data sources.
- Implementation of the updated risk matrix in the whole group.



What are our goals for 2020?

- Inclusion in the contracts of suppliers (current and future) of an integrity clause strengthening the contractual obligation to observe ethical behaviour based on not perpetrating fraudulent or anti-competitive acts.
- Implementation of online monitoring of reputational risks on potential suppliers.
- Development of the supplier selection and approval model according to ESG criteria.

Analysis of 2019 results

The supply chain of Naturgy

Naturgy performs the procurement of works, goods and services, as well as the assessment, monitoring and development of suppliers in accordance with the general principles established in the company's policies, rules and procedures, as well as internationally recognised principles of good governance, ensuring a uniform, efficient and sustainable model.

In 2019, Naturgy set up trade relations with a total of 7,896 suppliers which accounted for a total expenditure of Euros 2.510 billion.

Purchasing and supplier management policy

The purchasing and supplier management policy sets out the criteria that constitute the general framework of action for contracting, assessing, monitoring and developing suppliers. It guarantees sustainable management of the supply chain, relying on assessed suppliers and ensuring fulfilment of Naturgy's Corporate Social Responsibility commitments.

Among its general principles, it seeks to promote participation in the bidding processes of suppliers of the country or region where the group performs its activities, generating a positive impact through the creation of wealth and investment in the local community, generating economic inclusion in the company's areas of influence.

Transparency in purchasing

In terms of procurement, Naturgy is committed to ensuring free competition, objectivity, impartiality, transparency and traceability throughout the procurement process through:

- The use of secure electronic means for the management of all tenders.
- The establishment of communication channels with its suppliers.

Human rights at suppliers

Naturgy has a Human Rights Policy that extends to the Supplier Code of Ethics, thus transferring to the supply chain the commitment to protect Human Rights within their sphere of influence, especially since international growth has led us to operate in some environments where their protection takes on special relevance.

Supplier Code of Ethics

Naturgy is keen to extend the corporate culture to the supply chain, ensuring that collaborating companies comply with the principles set out in the Supplier Code of Ethics, which all group suppliers have to adhere since 2016.

Reporting Channel

All suppliers, contractors and outsourced collaborating companies of Naturgy that wish to report a violation of the Code of Ethics that they may have observed in the exercise of their functions may contact the Ethics and Compliance Committee through the email address published in the Naturgy Supplier Code of Ethics.

Supply chain management process

In order to promote responsible management in the supply chain, Naturgy establishes a procurement process that aims to meet the needs of goods and services efficiently. It covers all stages of procurement from identification of the need for a good or service to the follow-up of the management of contracts or orders. Procurement will be based on unified and universal contractual conditions for the entire Scope of the group's activities, which include, among others, social and environmental clauses. The General Terms and Conditions of Contracting and the Country Specific Conditions are published on the relevant group websites.

Supply chain management process_



Risk management of the supply chain

The risk factors of the supply chain are elements, conditioning factors or situations inherent to the same and which are considered significant in achieving our goals.

Risk factors assessed:

- Health and safety**
 This measures the potential risk of an incorrect action, service and/or product fault with regard to the life or physical integrity of persons.
- Quality**
 The impact that breach by the supplier with regard to the expected or agreed quality levels would have at Naturgy.

- Environmental, social and good governance (ESG)**

This measures the existing risk of purchasing products or contracting services that are not environmentally friendly, which are manufactured or generated under socially unfair conditions, or using labour practices that are ethically incorrect. Naturgy performs “responsible purchasing” through a management process that encourages the acquisition of products and services that are environmentally friendly and which are manufactured under socially fair conditions.

- Legal risk**

Possibility of infringements and breaches by suppliers of laws, rules and practices that apply to them.

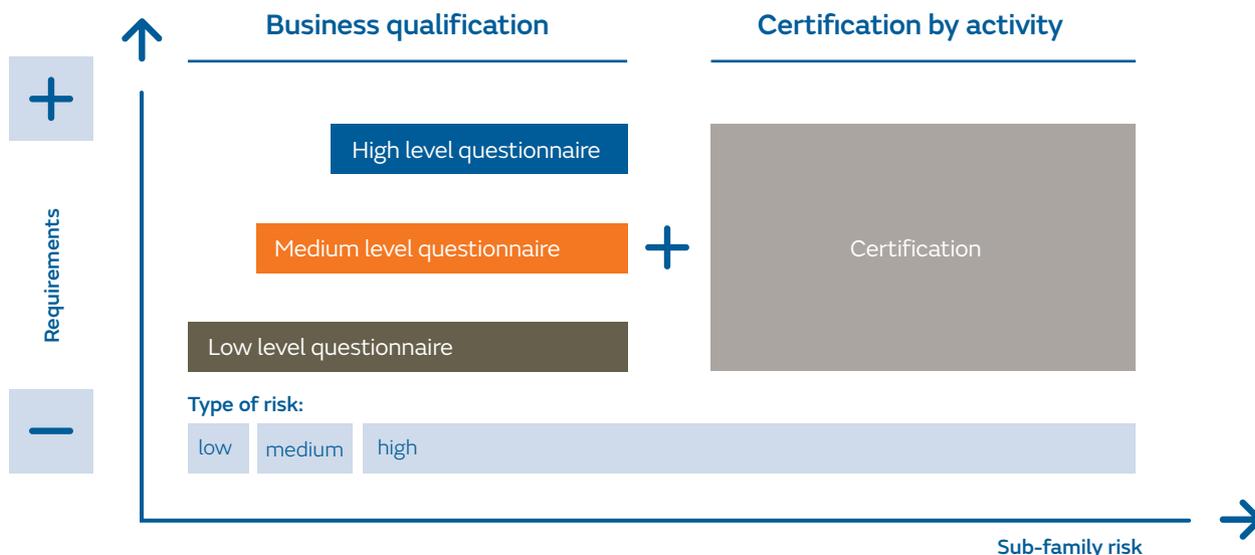
- Reputational risk (Compliance)**
 It refers to the potential reputational damage that could result from the perpetration of a fraudulent or anti-competitive act by a supplier of the Naturgy Group, contravening the ethical standard of compliance established in the Supplier Code of Ethics.
- Financial risk**
 Assesses the potential impact on operations incurred by the group in its service to customers as a consequence of a lack of continuity in the supply or deterioration of a good or service by suppliers that have been awarded contracts.

- Cybersecurity risk**
 Assessment of the risk inherent in the processing of information assets, knowledge or data that have value for the group, with particular relevance to the risk of processing personal data in accordance with Regulation (EU) 2019/679.

Assessment of suppliers

Assessment of suppliers is introduced in the processes of Business Classification of suppliers and Approval of suppliers and products.

Risk map by purchase category_



With the risk assessment of the purchase categories that are managed worldwide, and assessing the risks of the countries where the company usually contracts, we obtain the risk of each purchase category in accordance with its activity and the country where the activity is conducted.

This combination allows us to assign a high, medium or low risk to each purchase category, which is integrated into the map, thus obtaining the risk of each purchase category by country.

Suppliers with a high level of risk in any of the assessed risk factors associated with the purchase categories they supply will be considered by the company as critical suppliers.

Naturgy also identifies the “Suppliers with high risk in sustainability”, considering those that reveal a high risk level in the Health and Safety and ESG factors.

Supplier classification

This process is based on the assessment of compliance at business level of what is required by Naturgy in the different risk factors, in order to participate in the procurement process of goods and services. All suppliers must pass this process before maintaining commercial relations with Naturgy.

The classification is conducted using self-assessment questionnaires that take into consideration legal, economic-financial, criminal, solvency, experience, business organisation, quality, safety, human rights, environmental, social and employment practices criteria.

Official approval and management of supplier quality

Naturgy has introduced the goal whereby all suppliers that perform critical activities through being defined with a high risk in any of the ESG, Quality and Health and Safety risk factors must be approved.

The approval process is based on audits conducted at the supplier's facilities or by distance depending on the critical nature, to check compliance with the specific requirements defined for the service or material. Any non-compliances detected during the audits lead to corrective actions that the supplier must introduce within the deadlines agreed between Naturgy and the supplier, and this deadline is always less than one year.

Naturgy also approves the Non Tier 1 Suppliers corresponding to categories of purchase of critical products, over which in situ audits are conducted based fundamentally on quality-related aspects.

Products corresponding to critical categories may be subjected to inspections, technical acceptances or FAT at the production centres before the material is shipped.

Every year approval plans are drawn up to audit suppliers in-situ. These approvals are for an open-ended period depending on the critical nature of the service or product and the purchase volume.

The homologation process may bring out anomalies that result in a corrective action plan or in the non-approval of the supplier, which would disqualify them from performing that activity for Naturgy.

The corrective action plan identifies the development actions and corrective actions to be introduced to achieve compliance with the requirements and standards established by the company.

During 2019 no supplier was suspended or disqualified from holding a contractual relationship with Naturgy for significant breaches related to security, quality and other aspects.

Monitoring of suppliers

In 2019, the online monitoring of reputational risks of the supplier portfolio with business relations with Naturgy was initiated through use of a screening tool to detect exposure to counterparty reputational risk and make decisions based on the risk detected in coordination with Compliance. Of the 6,230 suppliers analysed in 2019, no supplier was disqualified for fraud or unethical practices.

The main potential or active suppliers of Naturgy are analysed from the economic-financial point of view in order to prevent contractual breaches by suppliers. In addition, in the assessment process the supplier's economic dependency ratio is measured with respect to Naturgy and is taken into account in the supplier's global scoring that can be used in the supplier's valuation during the contract award strategy.

Follow-up of suppliers

To ensure correct performance of approved suppliers, performance assessments are carried out on the most relevant suppliers to measure the degree of satisfaction of the operating units and assess detailed aspects of the quality, health and safety, operational and ESG dimensions. Within the company's "Health and Safety Commitment", objective metrics and the method established in the Naturgy "Health and Safety Standard" are used to measure performance of health and safety aspects: Assessment of performance of collaborating companies in health and safety issues". Corrective actions are carried out on those suppliers whose assessment does not reach the standard set by the company.

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

In addition, ESG audits are performed on site for those suppliers classified as having a high ESG risk with the highest purchase volume.

Naturgy has developed environmental specifications for suppliers and contractors that are attached to the corresponding contracts and which include minimum environmental management requirements for application during procurement.

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.

From 2013 to 31 December 2019, Naturgy was a member of Bettercoal, an initiative managed by the main European utilities which aims to purchase coal from mines that comply with a series of social, environmental and ethical standards. Over the year, Bettercoal continued to assess mines and to develop action plans from those assessments, with working groups driving improvements, specifically in mining areas in Colombia and Russia.

Development of suppliers

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



Social commitment



What does this mean for Naturgy? Risks and management approach

Naturgy is committed to the economic and social development of those regions where it performs its activities, providing expertise, management capacity, as well as spending part of its profits on social investment. Fluid and ongoing dialogue with society enables Naturgy to be aware of the expectations and interests of those communities where it operates and thus be able to involve itself in their development.

Inadequate management in access to energy can cause significant costs through non-payments and theft of electricity. By the same token, depriving vulnerable groups from receiving energy could have an impact on the company's reputation.

The lack of involvement and participation with local communities and their needs in those territories where the company operates could result in rejection and unease in the community, which could lead to lobbying for the company to cease its operation in these territories.



What is our commitment?

- Guarantee fluid and two-way dialogue and encourage involvement in local communities, respecting the culture, rules and the environment, so that their concerns are responded to appropriately and expeditiously.
- Assess the social impact that the company's activity could cause, to avoid or mitigate the adverse effects these could generate and to foster positive effects.
- Develop initiatives to create shared value and to have a positive social impact in energy projects.
- Promotion of education, cultural wealth, health, research and the inclusion of the more underprivileged collectives through social investment.
- Transfer knowledge and values to society through partnership agreements with the academic community and the supply chain.



How do we measure our performance?

Sponsorship and social action investment

↓ **€8M**

€11M in 2018

Note:
It also includes the “Contributions to foundations and non-profit organisations”.



What are our main milestones in 2019?

- Launch of the 1st Award for the best social initiative in the energy field.
- Development of new energy volunteer actions with young people and children.
- Launching of the General Procedure of Sponsorship and Donations and its introduction in all countries and companies.



What are our goals for 2020?

- Development of action plans for housing rehabilitation, energy school and energy volunteering.
- Launch of a global volunteer campaign (volunteer survey).
- Establishment of a methodology for measuring the impact of the Foundation's activities.
- Search for synergies with other Foundations.
- Preparation of a policy on management and use of social networks.

Analysis of 2019 results

Economic Value Distributed

Detail by stakeholders_

(million euro)



Economic value generated

€23,444M

2019

Economic value withheld

1,911

Economic value distributed

21,533



Sponsorship and social action investment

Economic contributions to social investment and sponsorship programmes are another important part of the Naturgy commitment. In 2019, they totalled Euros 8 million.

The aim of the company is to generate a higher corporate commitment to society of which it forms a part. The programmes to which these resources are therefore allocated form part of the business development strategy.

Creation of wealth and well-being where the company operates

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

Energy vulnerability

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

The company has extensive experience in this regard. Accordingly, the project carried out at Cuartel V in Argentina or the CGE Group agreement in Chile made it possible to provide access to clean and reliable energies to tens of thousands of people.

Energy Vulnerability Plan in Spain

During 2019, Naturgy, through its Foundation, continued the development of the Energy Vulnerability Plan throughout Spain to collaborate in alleviating the situation of energy vulnerability in Spain. The plan has been consolidated as the core of the activities developed by the Foundation, with actions to alleviate energy poverty being one of its priorities.

The objectives of the plan are:

- Improving management and customer relations in cases of energy vulnerability.
- Streamlining the exchange of information with town and city councils for better identification of situations of energy vulnerability.
- Implementing activities with entities that work to alleviate energy poverty cases and to detect vulnerabilities.

The following activities have been introduced during this year:

- Consolidation of the Energy Rehabilitation Solidarity Fund.
- Corporate energy volunteer work to give workshops on energy efficiency, advice and visits to the homes of families in vulnerable situations.
- Launch of volunteer work with Children and Young People, with a pilot in Madrid and Barcelona for children and young people in vulnerable situations and with the “Managing my energy” programme taught in schools.

- The Energy School continues to give energy efficiency workshops to support Public Administrations and the Third Sector, both to technicians and to vulnerable families.
- Launch of the 1st Award for the best social initiative in the energy field.
- Participation in two European projects (Social Watt and EPIU), financed by the EU, aimed at identifying energy poverty, defining indicators and developing and implementing measures against energy vulnerability.
- Presentation of the paper “Energy poverty in Spain. An income-based approach”.

Relationship with communities

Naturgy, under its Human Rights Policy, makes a firm commitment to the respect of local communities. To achieve this commitment, the social impact that the company activities may have on affected communities and contributing to improving the living conditions of these communities are key aspects.

Naturgy has a method based on the Measuring Impact methodology of the World Business Council for Sustainable Development (WBCSD) and the aim is to define initiatives and programmes for the effective management of social impacts associated with the company’s business.

The company bases its relationship with communities on the following principles:

- Identifying communities affected by the company’s activity, and finding out their needs and aspirations.
- Analysing the impacts and potential environmental and social risks that its activity could cause in the communities, using the social impact assessment methodology designed for this purpose.

- Reporting to, and inviting participation from, the community at the different stages of the project through a consultation procedure that enables us to listen to their concerns and questions as well as benefit from their contribution.
- Incorporating the opportunities identified through dialogue with the communities and which encourage sustainable development of the community into the impact assessment studies.
- Introducing a system of communication and relations with communities that ensures that these communities receive project information in a clear, updated and efficient way.

The company currently prioritises the performance of social impact assessments in those locations where the company is looking to carry out new investment projects. These assessments serve to measure numerous impacts (positive and negative) that the company may produce as a consequence of its activity, both in local communities as well as in the territory. These include:

- Impact on human rights.
- Displacement or relocation of local communities.
- Modification to the traditional ways of life.
- Changes in the traditional uses of territory.
- Attracting new technologies.
- Creation of skilled and unskilled jobs.
- Temporary occupation of the communication routes.
- Impact on landscapes.
- Noise.

The most prominent projects in this sphere are:

- In Australia, in the surroundings of the Crookwell and Berrybank wind farms, citizen participation programmes are being introduced to involve the community (agreements to attend to the needs of the local community, planting of trees, academic visits, strengthening of the productive fabric, etc.).

- In Brazil, around the Sobral photovoltaic plant, the development of the Quilombola Basic Environmental Project has continued, as detailed below. Environmental education actions have been developed around the Guimaranía photovoltaic plant.
- In Costa Rica, around the Torito and La Joya hydroelectric plants, we have collaborated in the educational programme “Books for All” promoted by the Ministry of Education, and we have collaborated in the improvement of educational and sports infrastructures in the area.
- In Mexico, both in the surroundings of the Bif-Hioxo wind farm, and in the environs of the Tuxpan, Hermosillo and Naco-Nogales combined-cycle power stations, environmental and health education programmes have been implemented, as well as improvements to community infrastructures (schools, roads, wells, health centre, etc.), and actions to strengthen local culture.
- In the Dominican Republic, around the Palamara-La Vega thermal power stations we have collaborated with the fire brigade in the area, and have conducted actions to improve community infrastructures for the supply of drinking water, as well as to strengthen local culture and traditions.
- In Uganda, around the Bujagali hydroelectric power station, programmes have been carried out to strengthen local suppliers, train and employ young people and women, promote health, prevent road accidents, and encourage cultural activities.

During 2019 the company continued implementing the Quilombola Basic Environmental Project (QBEP), associated to the Sobral I photovoltaic plant in the municipality of São João do Piauí (Piauí, Brazil), in order to create shared value and to have a positive social impact in the territories of Riacho dos Negros and Saco/Curtume. For the development of the QBEP, a close and ongoing relationship has been maintained with the community and local authorities, to identify, design and implement actions to promote economic and social development in the region. The project has four main lines of action, which include a series of specific actions of which the following have been implemented during 2019:

- Characterisation of wells in the region that could be improved with the set-up of a solar pump kit.
- Territorial study for the implementation of a teaching centre for community use.
- Provision of integral scholarships (studies and subsistence costs) for the training of professionals at university level.

Social action, corporate volunteering and employee participation

Through corporate volunteering, Naturgy seeks to promote social cohesion, values and a spirit of solidarity, while carrying out social action programmes with a clear purpose of contributing to the socio-economic development of the areas in which it operates. Some of the projects carried out by the company within the framework of social action are:

- **Energy of Flavour**
This programme aims to provide scholarships to young people between 18 and 25 at risk of exclusion, so that they can receive vocational training in the gastronomy sector and thus acquire a trade. During 2019, a special module has been developed for female victims of gender violence.
- **Learn a trade workshop**
The aim of the programme is to train people in a vulnerable situation in the trade of ceramics; whether they are adults, young people or people with a slight mental disability.
- **Planning your future**
In order to encourage the children of employees to achieve their dreams and professional aspirations, we provide them with a scholarship to start their university studies.
- **Summer internship**
This is a scholarship for family members of employees who are in the last two years of their university course.

With regard to corporate volunteering, during 2019, the company has promoted environmental, social and energy volunteer actions, in which employees collaborated.

Since 1997, a group of employees has created the Solidarity Day Association, with the aim of developing projects to promote the education and training of children and young people without resources, in the countries where the company operates. This association is managed by the company's own employees and consists of the voluntary donation of one day's salary per year. The company contributes the same amount donated by all employees and covers the association's management expenses, so that all the money donated goes entirely to project development.

Sponsorship, patronage and donations

The sponsorship and donation collaborations are aimed at increasing the knowledge of Naturgy, supporting its growth and consolidating the relationship with the different stakeholders.

Naturgy's sponsorship and donation activity, as well as the definition of the processes that regulate and control its development, is the purpose of the company's General Procedure of Sponsorship and Donations. Similarly, activities related to sponsorship and donations are subject to a process of 100% transparency. The procedure also provides priorities, which can be summarised in:

- **Environment**
Naturgy carries out and collaborates with educational activities aimed at young people on energy, energy efficiency and new technologies. Technical, educational, informative and social activities that contribute to a more environmentally friendly society are promoted.
- **People**
The company drives and supports projects targeted at vulnerable social groups and to mitigates problems stemming from social exclusion. To this end, it collaborates financially with foundations and associations to improve, for example, facilities and to refurbish spaces or to provide guidance and information on energy issues.
- **Culture**
In the field of cultural sponsorship, Naturgy targets its efforts at encouraging and promoting music, art and university activity. The company's commitment

can be seen in the extensive sponsorship work on initiatives that generate high value for the area where they are carried out. In 2019, the company continued with its support to the Gran Teatre del Liceu and the Teatro Real with twin celebrations declared to be “events of exceptional public interest”.

Naturgy Foundation

The Naturgy Foundation, created in 1992 by Naturgy, and with a presence in those countries where the company is active, is tasked with the dissemination, training, information and raising society's awareness in issues of energy and the environment, as well as the development of business and academic programmes. It also develops social action programmes in the national and international arenas, with a particular focus on actions targeted at relieving energy vulnerability.

During 2019, the foundation continued to provide seminars on energy and the environment in Spain, Belgium, Ireland, Brazil and Mexico, as well as presentations of books related to this topic. A new development in this line of work, with the participation of IESE, is the so-called “Energy Perspectives”, a series of conversations between speakers of the highest global level on the economic, technical and scientific conditions that are emerging for the future of the energy sector.

In the line of education and heritage, the Naturgy Foundation has launched several programmes:

- **Efigy education**

An educational programme aimed at students of all ages, which explores new energy technologies with the aim of transmitting specialised knowledge about the transition to a new energy model, the preservation of the environment and responsible energy consumption. This programme is complemented by online resources aimed at training students, teacher training, mentoring programmes and initiatives to encourage technological vocations.

- Our own touring projects, which aim to pass on and disseminate knowledge on issues related to energy and the environment through actions and presence at trade fairs in the sector, mobile educational resources and travelling exhibitions, such as the “Energy Challenge” eco-efficient truck.
- Educational activities have been promoted in the power stations, with the aim of supporting the group's different businesses.
- Finally, the Dual VT programme has been consolidated in the sectors of maintenance of vehicles powered by natural gas.



Integrity and transparency



What does this mean for Naturgy? Risks and management approach

Naturgy believes that operating on the basis of integrity and transparency directly contributes to achieving business targets and sustainable business management.

To respond to the risks related to integrity and transparency, Naturgy has developed a series of mechanisms that introduce the guidelines that are to cover ethical and transparent behaviour of the directors and employees of the company and their daily performance, as set out in the Code of Ethics, the Supplier Code of Ethics, the Crime Prevention Model, the Anti-Corruption Policy, fiscal policies and the Human Rights Policy of the company.

Corruption, fraud and bribery can have a major impact for the company, leading to sanctions imposed by the administrations, loss of contracts, loss of customers and loss of reputation that could also see investors disappear or the non-purchase of shares by investors that consider these aspects in their investment decisions.

The company will improve the way stakeholders perceive the markets in which the company operates, based on the ethical principles of Naturgy. It is also committed to achieving improved conduct and practices in new international settings with growth opportunities for the company, so as to boost development and social progress.



What is our commitment?

- Reject corruption, fraud and bribery in business dealings and establish measures to prevent and combat them, developing internal channels allowing communication of irregularities while preserving anonymity.
- Comply with national and international laws and standards in force in which the company operates, in particular, abiding by the principles expressed in the United Nations Universal Declaration of Human Rights, in the Declaration of the International Labour Organisation (ILO), in the United Nations Global Compact, in the United Nations Guiding Principles on Business & Human Rights, and the OECD Principles of Corporate Governance.

- Act with responsibility in management and comply with fiscal obligations in all jurisdictions in which the company operates, undertaking to act transparently and collaborate with tax authorities.
- Compete fairly on the market and prevent misleading, fraudulent or malicious conduct through which the company could obtain an unfair advantage.
- Promote transparency in information and responsible, truthful, efficient, complete and timely reporting, with regular publication of financial and non-financial information to measure the company's activities.
- Maintain, at all times, permanent dialogue with stakeholders through adequate and accessible channels.



How do we measure our performance?

Queries and notifications to the Code of Ethics_

	2019	2018
Queries	45	76
Notifications	149	123
Total	194	199
No. of messages received per 200 employees	3.32	3.18



What are our main milestones in 2019?

- Certification of the Crime Prevention Model by AENOR in accordance with the UNE 19601 and ISO 37001 standards.
- Approval by the Ethics and Compliance Committee of a new Code of Ethics Channel Operating Regulation that provides a procedure for investigating complaints received through the channel.
- Management and use of SAP GRC Process Control for the comprehensive management of documentation, assessment and supervision of the Crime Prevention Model.
- Review of the Human Rights Policy.
- Publication of the Non-Financial Statement (NFS), in accordance with Law 11/2018 on non-financial information and diversity.



What are our goals for 2020?

- Specific training on harassment for all company employees.
- Renewal of the Crime Prevention Model certification by AENOR pursuant to the UNE 19601 and ISO 37001 standards.
- Ongoing training and awareness of employees in human rights.

Analysis of 2019 results

Compliance Policy and Code of Ethics

The Code of Ethics of Naturgy, approved by the Board of Directors, is the document that establishes guidelines that must govern the ethical behaviour of managers and employees of Naturgy, in their daily work, with regard to relationships and interactions with all its stakeholders. The principles for the company's employees are related to corruption and bribery, respect for people, professional development, equal opportunities, relation with collaborating companies, occupational health and safety, and caring for the environment, among others.

Since 2005, when it was adopted, the code has been regularly renewed to adapt it to the new situations that affect the company. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance.

In addition, Naturgy has an Anti-Corruption Policy, which establishes the principles which must be used to guide the conduct of all employees and administrators of the companies of the group with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

The company also has a Compliance Policy that structures the Code of Ethics and Anti-Corruption Policy management taken on by the Compliance Unit, whose targets are to ensure the dissemination, knowledge, application and fulfilment of the code.

This management model provides that the Audit Committee must receive regular reports from the Ethics and Compliance Committee on the most relevant issues related to the dissemination of and compliance with the Code of Ethics and the Anti-Corruption Policy.

During 2019, the Ethics and Compliance Committee has continued its work to disseminate the Code of Ethics, as well as its role as interpreter and advisor in the event of any doubt or conflict concerning the same. The Ethics and Compliance Committee Regulations were also approved, setting out its organisation, functions and obligations within the framework of best practices in the area of compliance. In 2019, the Committee held four work meetings. The Ethics and Compliance Committee supervises the execution of the policy by the Compliance Unit.

In 2019, 31% of the notifications were related to the principle of respect for people, and they were all solved appropriately.

In 2019, no notifications were reported related to labour or child exploitation or in relation to the rights of the corresponding local communities and human rights. Therefore, in 2019, it was not necessary to repair damages relating to impacts caused by human rights cases.

Code of Ethics chapter to which notifications refer_

	Queries	Notifications	Total
Respect for the individual	7	46	53
Corruption and bribery	3	50	53
Loyalty to the company and conflict of interest	34	16	50
Occupational health and safety	-	10	10
Environment and asset protection	1	12	13
Other	-	15	15
Total	45	149	194

The implementation of a new communications management tool does not allow comparisons with 2018, so no breakdown is given for 2018.

Crime Prevention Model

The company has a Crime Prevention Model which is updated annually. Thus, in 2019, the model has continued to be adapted to the new organisational structure operated within Naturgy. Likewise, the model, in a process of continuous improvement, has incorporated the legal modifications that have taken place in 2019 on criminal risks.

From an organisational standpoint, the Board of Directors has assigned the functions of autonomous body, described in Organic Law 1/2015, to the Ethics and Compliance Committee, which is responsible for taking significant decisions in relation to the regular monitoring and supervision of the working and compliance with the Crime Prevention Model, the execution of which corresponds to the Compliance Unit.

Each year, this model is assessed by an independent third party. In 2019, this assessment process was completed in December and the report issued on the design and effectiveness of the model was satisfactory.

Furthermore, in 2019, the model has been subject to the certification process in accordance with the AENOR UNE 19601 standards (criminal compliance management systems) and ISO 37001 (Anti-bribery management systems), obtaining both certifications in October 2019. Worldwide, Naturgy also deploys crime prevention models gradually in countries with laws governing the civil liability of legal persons.

Anti-fraud and anti-corruption policies and plans

Although fraud and corruption are covered in the crime prevention system, the company works continuously to improve and update its internal regulations and define specific protocols and mechanisms in this area.

The Anti-Corruption Policy establishes the principles which must be used to guide the conduct of all employees and administrators of the companies of Naturgy with regard to the prevention, detection, investigation and correction of any corrupt practice within the organisation.

Naturgy has a range of mechanisms to ensure the proper implementation of the Anti-Corruption Policy, as well as to prevent, detect, investigate and punish cases of corruption, including:

- Monitoring of the operation and assessment of the effectiveness of the organisation, control and compliance models implemented in the different corporate and business areas of Naturgy, especially the Crime Prevention Model.
- A communication channel for employees and third parties to make, in good faith, confidential and without fear of reprisal, inquiries or notifications of breaches of the Code of Ethics and the Anti-Corruption Policy (www.naturgy.ethicspoint.com, or postal and internal mail).

- Counterparty Due Diligence Procedure, to know and analyse the counterparties with whom Naturgy operates and thus evaluate the associated corruption and reputation risks.
- Regular declaration by all employees, in which it is formally stated that they know and comply with the principles established in the Anti-Corruption Policy.
- Dissemination and training sessions on the content of the Anti-Corruption Policy for all employees through the Anti-Corruption Programme.

The focus of the Naturgy Anti-Corruption Programme covers three key areas:

- Establishment of an anti-fraud and anti-corruption culture through training and awareness.
- Implementation of proactive measures to assess the risk of fraud and corruption, monitoring and controls.
- Development of measures and response plans in the event of situations that constitute fraud and corruption.

These plans and measures include the investigation of the episodes, the definition of solutions and the establishment of disciplinary measures.

Naturgy organises regular training initiatives based on the programme with the aim of raising awareness of the importance of fighting against corruption and ensuring that administrators, employees and suppliers are given enough and appropriate information to act accordingly.

Some of these regular initiatives include the following:

- Update of the NaturalNet space which concerns the Code of Ethics and the Anti-Corruption Policy.
- Publication of information about the Ethics and Compliance Committee activities (notifications received, activities carried out, etc.).
- Training course on the Crime Prevention Model, Code of Ethics and Anti-Corruption Policy.

- Specific training in relation to the Crime Prevention Model and Anti-Corruption Policy for new employees and administrators.
- Presentations in Boards of Directors and Management Committees on the Crime Prevention Model.
- Regular declaration of compliance with the Code of Ethics and Anti-Corruption Policy.

During 2019, specific training courses have been held on international sanctions, procedures for payments to third parties, privileged information and market abuse, aimed at specific groups within the company. In addition, work has been done on a specific training on harassment that will be given during the first quarter of 2020 to all company employees. Also in 2019, a mandatory training programme for executives has been carried out, which has included, among other points, the Crime Prevention Model, the Code of Ethics and Anti-Corruption Policy, and the Counterparty Due Diligence Procedure.

Likewise, Naturgy has implemented a Corporate Hospitality Policy, within the framework of the Code of Ethics and Anti-Corruption Policy, whose purpose is to regulate the conditions in which Naturgy administrators and employees can accept or offer courtesies to business counterparts within the framework of the performance of their professional functions. This is to ensure effective compliance with the principles set out in the Code of Ethics and Anti-Corruption Policy of Naturgy and thus avoid improperly influencing their commercial, professional or administrative relationships, both with public and private entities. In 2019, a reminder has been made on the occasion of the Christmas campaign of the Corporate Hospitality Policy for all employees.

In addition, the company has a Counterparty Due Diligence Procedure that is applied systematically, to ensure that the analyses and assessments of reputational risk and corruption are carried out in an efficient and uniform way when third parties intervene in the business relationships of the companies that make up Naturgy.

Prevention of money laundering

The Naturgy Crime Prevention Model is based on an analysis of criminal risks, including the one related to money laundering, introducing the necessary controls to prevent the perpetration of said crime.

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.

There are three control levels that seek to prevent, detect and, if appropriate, react to money laundering:

■ Prevention

Both the Naturgy Code of Ethics as well as its Anti-Corruption Policy have specific sections that expressly establish the prevention of money laundering as one of the principles that presides over the operations of the company and all of its employees. All Naturgy employees receive training on the content of the Code of Ethics, the Anti-Corruption Policy and the conduct guidelines that they must heed.

In addition, Naturgy has other more specific policies and procedures that establish a full series of controls in its day-to-day work and in the operations it performs, which encompass the prevention of money laundering. Key among these are the Counterparty Due Diligence Procedure; the General External Procurement Standard; the Procedure on granting the Signing Level, or the Internal Control Procedure for the processing of payments and cash movements, among others.

■ Detection

Some of the foregoing policies and procedures also allow the risk of money laundering to be detected.

Every year, those in charge of controls at Naturgy are subject to a self-assessment in the Crime Prevention Model on compliance with the same, including those where there is a risk of potential money laundering. In addition, to ensure efficiency of this model, it is reviewed regularly and audited every year by an independent expert.

The Internal Auditing Unit periodically reviews the different processes of Naturgy to detect possible breaches that may have occurred in the different operational risks. These reviews include checks of revenue and payments that may be subject to the risk of money laundering.

Naturgy also has an Internal Control System on Financial Reporting that is audited every year by an independent expert.

In addition, Naturgy provides both its employees as well as stakeholders with channels so they can report to the Ethics and Compliance Committee concerning any breach or irregular or suspicious conduct in this area. They can perform these communications through the Website Channel of the Naturgy Code of Ethics or through ordinary or internal mail. In addition, in accordance with what is permitted under new data protection legislation, these communications may be carried out anonymously.

■ Reaction and response

During 2019, the Ethics and Compliance Committee approved new regulations for the operation of the Code of Ethics channel, which includes a procedure for investigating complaints received through the channel. The company also has an investigation and response protocol as well as a disciplinary system so that, if it becomes aware of any denouncement or irregularity it can introduce all measures within its reach to rectify this and, if appropriate, adopt the measures required to prevent future repetition.

Finally, Naturgy collaborates with the competent authorities of each country in the fight against money laundering and the financing of terrorism, furnishing all the information they request in accordance with prevailing regulations. The company also reports any suspicious transactions.

Tax policy

Tax Strategy and Tax Risks Control and Management Policy

At a meeting on 26 January 2019, the Board of Directors approved the Tax Strategy and Tax Risks Control and Management Policy, which sets out the basic principles governing Naturgy's tax function and the main lines of action to mitigate and guide proper control of tax risks.

The basic principles governing Naturgy's Tax Strategy are as follows:

- Responsible compliance with tax obligations.
- A low tax risk profile.
- Adoption of tax treatments based on economic reasons.
- Transparency of tax information.
- Co-operation with the tax authorities.

The main lines of the Tax Risks Control and Management Policy are as follows:

- Clearly defined tax governance.
- Procedures for controlling the tax risk referred by Compliance.
- Procedures for assessing and controlling tax approaches where there is uncertainty.
- Oversight of the performance of the Tax Control Framework.
- Regular reporting of the tax situation to the Board of Directors.

All of Naturgy's tax policies are aligned with:

- The Naturgy Corporate Social Responsibility Policy, in which one of the commitments and principles of action is to “adopt responsible

business management practices and comply with all tax obligations in all jurisdictions in which the company operates, accepting the commitment to accountability and collaboration with the corresponding tax agencies.”

- Naturgy's Code of Ethics, which establishes that “All employees of the group must comply with the laws in force in the countries where they conduct their activities, thereby heeding the spirit and objectives of the laws and behaving ethically in all their actions.”
- The Code of Good Tax Practices (CGTP), approved on 20 July 2010 by the Plenary session of the Large Business Forum, a body established by the Spanish National Tax Agency with Spain's largest companies, including Naturgy Energy Group, S.A. The CGTP contains recommendations by the tax authorities, which Naturgy has adopted voluntarily, that are aimed at improving the application of the tax system by enhancing legal certainty, reducing litigation, fostering mutual co-operation based on good faith and legitimate trust, and the application of responsible tax policies.

To align Naturgy's tax policies with these principles, the group has a General Regulation governing the Tax Control Framework, designed in accordance with the guidelines of the Organisation for Economic Co-operation and Development (OECD) for multinational enterprises, and for the design and implementation of a Tax Control Framework.

Naturgy also has a Risk Map that specifically identifies the tax risks and issues regarding the interpretation or application of tax law. The main matters with a tax impact are detailed in Note 21 “Tax situation” in the notes to the Consolidated Annual Accounts.

Tax havens

The incorporation or acquisition of undertakings domiciled in countries or territories designated as tax havens must be reported to the Board of Directors via the Audit Committee.

At 2019 year-end, the Naturgy Group did not have any company in a territory designated as a tax haven under the related Spanish regulations (Royal Decree 1080/1991, of 5 July, and Royal Decree 116/2003, of 31 January).

Buenergía Gas & Power, Ltd. (a company that indirectly owns a single industrial holding that engages in power generation using a combined cycle gas turbine in Puerto Rico (Ecoeléctrica, L.P)), which was domiciled in the Cayman Islands and in which Naturgy holds a 95% stake, changed its domicile to Puerto Rico on 2 February 2018.

Gasoducto del Pacífico (Cayman), Ltd. (a dormant company acquired by the group as part of the CGE acquisition), which was domiciled in the Cayman Islands and in which Naturgy held a 52.2% stake, was liquidated on 12 January 2018 and dissolved and deregistered on 12 April 2018.

Breakdown of taxes actually paid by Naturgy_

	Own taxes					
	Income tax ⁽¹⁾		Other ⁽²⁾		Total	
	2019	2018	2019	2018	2019	2018
Spain	230	62	432	621	662	683
Argentina	22	10	26	17	48	27
Brazil	57	52	46	46	103	98
Chile	9	31	10	13	19	44
Mexico	36	71	1	2	36	73
Panama	13	6	7	7	20	13
Rest of LatAm	15	7	-	2	15	9
Total LatAm	152	177	90	87	241	264
Rest	11	24	7	8	18	32
Total	393	263	528	716	921	979

⁽¹⁾ Refers to income tax actually paid in the year per the Consolidated Cash-Flow Statement. Does not include accrued amounts. 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.

⁽²⁾ Includes energy taxes amounting to Euros 169 million in Spain in 2019 (Euros 306 million in 2018), local taxes, employer social security and other specific taxes in each country.

⁽³⁾ Basically includes tax withholdings from employees and employee social security contributions.

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 2019 amounted to Euros 2,955 million (Euros 3,268 million in 2018). 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"):



	Third-party taxes						Total			
	VAT		Hydrocarbon tax		Other ⁽³⁾		Total			
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	997	1,056	362	409	253	270	1,612	1,735	2,274	2,418
	8	9	-	-	21	39	29	48	77	75
	70	73	-	-	11	13	81	86	183	184
	93	60	-	-	10	47	103	107	122	151
	63	39	-	-	12	13	75	52	111	125
	-	-	-	-	3	4	3	4	23	17
	-	5	-	-	1	8	1	13	17	22
	234	186	-	-	58	124	292	310	533	574
	81	161	46	80	3	3	130	244	148	276
	1,312	1,403	408	489	314	397	2,034	2,289	2,955	3,268

Profit by country_

(million euro)

	2019	2018
Spain	502	(3,297)
Argentina	46	41
Brazil	74	37
Chile	202	106
Mexico	164	104
Panama	14	13
Rest of LatAm	56	(63)
Total LatAm	556	238
Europe	343	237
Total	1,401	(2,822)

Subsidies received

The changes in capital subsidies received are detailed in Note 16 to the Consolidated Annual Accounts. The amount received was Euros 14 million in 2019 (Euros 1 million in 2018). Operating subsidies received are detailed in Note 25 to the Consolidated Annual Accounts; Euros 1 million were received in 2019 (Euros 1 million in 2018).

Human Rights Policy

The company's commitment to respect for and protection of human rights is expressed in both the Corporate Responsibility Policy and the Code the Ethics. Since 2011, Naturgy has a Human Rights Policy, that has been updated and approved by the Board of Directors in 2019, which defines and establishes precisely how the company believes it has to include these principles in its business management. The policy is consistent with the UN Guiding Principles on Business and Human Rights.

The Human Rights Policy acquires its full meaning in those locations where local legislation does not afford a suitable level of protection of human rights, and its compliance is horizontally integrated within the company and is the responsibility of each business area.

The policy establishes ten commitments, which were determined on the basis of the main risks that affect human rights in the company, and accepts the United Nations Guiding Principles on Business and Human Rights. It is also focused on the most important principles which have the greatest impact on the company's business.

Human Rights Policy Principles

- Avoiding any practices which are discriminatory or which might compromise people's dignity.
- Eradicate labour or child exploitation.
- Ensure freedom of association and collective negotiation.
- Protect employee's health.
- Ensure adequate employment.

- Commitment towards people linked to suppliers, contractors, and collaborating companies.
- Supporting and promoting respect for human rights in the surrounding communities.
- Respecting indigenous communities and traditional ways of life.
- Protecting facilities and people on the basis of respect for human rights.
- Helping to fight corruption.

The company encourages the policy to be known and to be complied with using a Communication and Training Plan, which includes a compulsory online course for all employees, seminars based around explaining principles of the policy and conflicts which could arise, and guidance sessions about the policy and its role in business activity.

Naturgy undertakes to engage the resources necessary to guarantee the effective implementation of this Human Rights Policy. In this regard, the company regularly analyses the human rights issues that are applicable to its activity and will introduce mechanisms that enable it to assess the risk of breach of these in the environments in which it operates.

During the initial stages of investment projects, and in the analyses of the social and environmental impact, the company will consider their impact on the protection and promotion of human rights and will define indicators

in this regard. Similarly, the company will introduce specific measures for management of potential impacts and risks to human rights from the projects and investments, and will ensure that sufficient resources are targeted at the implementation of the corrective measures identified.

In the due diligence processes prior to formalisation of collaboration agreements, also with governmental agencies, the company undertakes to assess the human rights policies and practices of its counterparts and to act in accordance with the principles laid out in the policy.

Any breaches, whether of the policy or any other aspect related with respect to human rights will be studied in accordance with the internal procedures, legal regulations and the prevailing agreements, and could give rise to disciplinary or employment measures as determined in the internal regulations and legislation.

Employees of Naturgy are obliged to report any breach of the undertakings set out in this policy to the company, confidentially and without fear of reprisals. Those people who, without being company employees, witness potential malpractice in this area may also report this.

- **Our employees are obliged to report to the company, confidentially and without fear of reprisals, of any breach of the commitments set out in the Human Rights Policy.** Those people who, without being company employees, witness potential malpractice may also report it.



Integrated Annual Report | 2019

About the Integrated Annual Report

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About this report

This Directors' Report was prepared in accordance with the integrated reporting (IR) framework published by the International Integrated Reporting Council (IIRC). Furthermore, in relation to non-financial aspects, the Global Reporting Initiative (GRI) Standards were taken into account.

In accordance with the provisions of Act 11/2018, of 28 December, which amends the Commercial Code, the consolidated text of the Capital Companies Act approved by Legislative Royal Decree 1/2010, of 2 July, and Act 22/2015, of 20 July, on Auditing, in connection with non-financial diversity reporting, the Consolidated Non-Financial Information Statement refers to environmental and social issues, as well as personnel, respect for human rights and the fight against corruption and bribery, as set out in section 7 of this Directors' Report.

Additionally, this report is also based on the recommendations set out in the "Guide for the preparation of management reports of listed companies" published by the Spanish National Securities Market Commission (CNMV) in 2013.

Each year, Naturgy performs a materiality analysis to identify the main priorities for the company in connection with environmental, social and governance (ESG) issues.

Material aspects identified at corporate level are those that:

- Are material in terms of corporate responsibility and reporting.
- Can result in a more material change.
- Are considered to be most relevant for the company's stakeholders.

The purpose of the materiality analysis is to:

- Identify material issues that must be disclosed.
- Ascertain the internal and external relevance of the identified issues.
- Explain the significance of each of the identified issues for Naturgy and why they are material.
- Identify the stakeholders that are affected by it.
- Identify the stage of the value chain that is affected by each issue.
- Link material issues with the requirements of Law 11/2018 and the Global Reporting Initiative (GRI) Standards.
- Identify the indicators and objectives that were reported in connection with each issue in the previous year.
- Identify the main events that occurred in the last 12 months that are related to Naturgy and to each of the identified issues.

The materiality analysis was updated in 2019 to align it with the company's commitments and strategy.

The materiality of the identified key issues was assessed and the main content for inclusion in the Directors' Report was prioritised, as detailed below:

Identification of significant aspects

Based on internal and external analyses, a list was drawn up of aspects that may substantially affect Naturgy's capacity to create value in the short, medium and long-term. The following were taken into account:

- **Stakeholders' expectations**

The main aspects defined by the GRI Standards and the GRI sector supplements for Electric Utilities and Oil&Gas, on the basis of the materiality study conducted by Naturgy. The 34 GRI Standards were used as a basis.

- **Investors' expectations**

Feedback received from investors and ESG analysts during the roadshows held in 2019.

- **Internal opinions and external perspectives are considered**

Interviews were conducted with separate areas of the company and with external stakeholders.

- **Other external opinion-makers.**

Assessment of the materiality of the identified issues

Classification of the various identified issues on the basis of their significance for Naturgy according to their potential impact (positive or negative) on its capacity to generate value.

According to the degree of significance, those aspects to be considered as part of the contents of the Directors' Report are obtained.

Prioritising contents

Once determined, the contents of the report are prioritised based on their materiality so as to focus the report on the most significant aspects.

Naturgy identified eleven material aspects of maximum significance. It also identified the other matters of interest:

Aspects of maximum significance_

Matters identified	Nature of the matter
01 Emissions and climate change.	Environmental.
02 Workplace health and safety.	Social.
03 Access to energy.	Social.
04 Talent retention and development.	Social.
05 Customer service and satisfaction.	Social.
06 Energy efficiency and energy consumption.	Environmental.
07 Diversity and equality.	Social.
08 Assessment of the supply chain.	Social and environmental.
09 Innovation and sustainable technology.	Economic and social.
10 Local community development and social action.	Social.
11 Biodiversity.	Environmental.

For each of the most material issues, the company compiled, identified and analysed the following information as part of the analysis of non-financial issues:

- Definition and description of the issue.
- Sub-issues into which the issue is divided.
- Principle of the Corporate Responsibility Policy associated with the issue.
- Materiality of the issue for the company and its business.
- What point of the value chain is affected by the issue.
- What stakeholders are affected by the issue.
- How Naturgy manages the issue.
- Sustainable Development Goals (SDG) directly associated with the issue.
- Material events related to Naturgy that are connected with the issue.

Scope

The financial and non-financial information on Naturgy presented in this report is consolidated and refers to all the activities undertaken in 2019 as a global gas and power operator, although there are certain specific aspects.

In order to clarify the Scope used in the non-financial indicators and provide the greatest possible transparency, in each chapter of the non-financial information statement a footnote will specify the indicators for which it was not possible to obtain any data from any of these countries.

Those indicators that plot progress throughout the year must reflect information on companies held for sale except where indicated otherwise in a footnote, while the indicators that represent information at year-end will not include information in connection with such companies.

In the sphere of human resources, the information reported corresponds to the countries in which Naturgy is present and has companies incorporated with their own staff and in which the company manages its human resources policies centrally ⁽¹⁾, except for the number of employees and the percentage of men and women, which take account of all group employees as determined by the consolidation Scope.

With regard to the environment, the disclosures refer solely to those companies or activities that are at least 50% owned or controlled by the company, which have the capacity to influence environmental management and have the capacity to make a significant impact, based on global data.

Appendix I of the Consolidated Annual Accounts, entitled “Naturgy Companies”, contains a complete list of the companies belonging to Naturgy at 31 December 2019.

Changes in the consolidation Scope are described in Appendix II of the Consolidated Annual Accounts.

Verification

The non-financial information in the Directors' Report was subject to an independent external verification process. The independent verification report, setting out the objectives and Scope of the process, the review procedures used and the conclusions, is attached in Annual Consolidated Financial Report 2019.

Public information about Naturgy

Readers also have access to other reports, which are all available at www.naturgy.com and the annual reports website <https://annualreport2019.naturgy.com/eng/>. Each of them contains useful additional information providing a full understanding of the company's actions:



FR

Annual Reports

Financial Report

Drawn up in accordance with the IFRS and externally audited. The Consolidated Directors' Report incorporates the Statement of non-financial reporting whose information has been subjected to a process of independent external review.



CRR

Corporate Responsibility Report

Complied in accordance with the Global Reporting Initiative (GRI) standards and verified externally.



CGR

Corporate Governance Report

Drawn up in accordance with the National Securities Market Commission (CNMV).



ACR

Audit Committee Report

Drawn up in accordance with the standards established on the Audit Committee.



RR

Report on Remunerations of Members of the Board Directors

Compiled in accordance with Article 541 of the Securities Market Act.



Other reports

Biodiversity Report
Carbon Footprint Report
Quarterly earnings reports

Reporting on the corporate website

- The Company.
- Activities.
- Shareholders and investors.
- Reputation and Corporate Responsibility.
- Our people.
- Customers and new registrations.

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