

Sustainability Report and Non-Financial Information Statement

2023





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2023
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**Sustainability Report
and Non-Financial Information
Statement**

2023



In 2023, Naturgy celebrated its 180th anniversary, a proud achievement for us. **A history of transformation guided by constant entrepreneurship and a social service vocation** that continues to remain firm.

Today, **Naturgy faces the future with its focus on resolving the energy trilemma** represented by progress in sustainability, a reasonable cost of energy and assuring a secure supply.

It is the only path for addressing the energy transition with success, without leaving anyone behind.



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Letter from the Chairman

"Naturgy has established itself as **one of the main players** in the energy evolution not only in Spain, but also in many other countries."



Dear readers,

In 2023 we celebrated our 180th anniversary, an achievement we are proud of.

The story of Naturgy is the story of change. A metamorphosis on a grand scale, fuelled by an unwavering entrepreneurial spirit and an enduring commitment to social service that continues to this day.

Throughout this time, Naturgy has established itself as one of the main players in the energy evolution not only in Spain, but also in many other countries where it has brought technological advances that have improved the lives of millions of people, have contributed to the competitiveness of thousands of companies and have promoted the welfare and economic growth of diverse societies on five continents.

Today, almost two centuries later, Naturgy is still a company that is changing and responding to the challenges of the present. It is once again demonstrating its pioneering spirit by boosting the use of renewable gas as a key vector of the energy transition and decidedly championing the generation of electricity through carbon-free renewable technologies.

Naturgy thus faces the future with the focus on solving, with its firm commitment, the energy trilemma represented by continuous progress in sustainability, achieving reasonable energy costs that allow us to serve our customers at reasonable prices, and ensuring security of supply to society. As a committed company, we are steadfast in our commitment to provide energy solutions that safeguard the environment, while ensuring affordability and maintaining security of supply. This approach is crucial for effectively navigating the energy transition and ensuring that no one is left behind in the process.

Naturgy, a key player in the energy transition

With this conviction, Naturgy wants to be a relevant player in the evolution of the sector towards a realistic energy transition that is compatible with our environment, and we have therefore continued to develop the roadmap set out in its strategic plan.

"In 2023, Naturgy continued to play a leading **role as a driving force** in the development of the value chain for renewable gases such as biomethane and hydrogen."

In 2023, total investments have grown by almost 12%. Of the total invested, more than 60% has been allocated to growth, mainly to the development of renewable generation projects and networks. In terms of sustainability, it is worth noting that 79% of the investments are eligible and 74% are aligned under the EU Taxonomy, thus demonstrating the soundness of a sustainable business model and the creation of long-term value for the planet and people.

At the end of 2023, Naturgy had reached more than 6.4 GW of renewable electricity generation capacity in operation, of which 4.9 GW were operational in Spain.

Outside Spain, the first energy output from the 7v Solar Ranch photovoltaic plant, Naturgy's first renewable energy plant in the United States, which has a peak capacity of 300 MW and will generate 560 GWh of electricity per year, took place at the end of 2023. It has also started construction of the Grimes project (269 MW) in Texas, which will be its second photovoltaic installation in the country.

In Australia, Naturgy began operating its third wind farm, BerryBank II, increasing the company's total installed capacity to 386 MW. 10 MW of battery storage capacity have also been incorporated.

In 2023, Naturgy continued to play a leading role as a driving force in the development of the value chain for renewable gases such as biomethane and hydrogen. In the biomethane field, the company has a portfolio of more than 60 projects under development, of which 37 are for the production of biogas and subsequent enrichment to produce biomethane for injection into the natural gas grid, and the remainder are based on marketing agreements.. As for hydrogen, the company is working on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of thermal power stations.

The company has also stepped up investment in its electricity distribution networks, which are necessary not only to bring the product of these technologies closer to the end user, but also to guarantee security of supply and day-to-day operations. The aim is for the transformation of the grid to make a very significant contribution to the move towards decarbonisation of the economy, while at the same time strengthening the security of supply for all citizens.

Naturgy wants to be a key player in the energy transition reducing total Scope 1, 2 and 3 emissions by 27% by 2025 compared to the 2017 baseline, as outlined in the Strategic Plan and our Sustainability Plan. In this respect, we took further decisive steps to achieve our goals in 2023. This fact is evident in the significant reduction of direct emissions (scopes 1 and 2), totalling 12.9 MtCO₂eq, marking a 41% decline compared to our base year of 2017. Similarly, our total carbon footprint, which encompasses both direct and indirect emissions, amounted to 114.6 MtCO₂eq, reflecting a 30% decrease from the levels recorded in 2017.

Naturgy recognises that the fight against climate change must be combined with the promotion of the restoration of natural capital and biodiversity through initiatives aimed at preventing, reducing and offsetting impacts, in order to advance the commitment to no net loss of biodiversity and the enhancement of the value of natural environments. Thus, in 2023 alone we implemented 353 biodiversity initiatives, 22% of which were voluntary, as well as environmental restoration actions on 336 hectares, more than 22% of which corresponded to protected areas, habitats or species.

Naturgy, an agent for a just transition and on the side of its customers

In 2023, energy prices have normalised after the spike in 2021, which was exacerbated in 2022 following the conflict in Ukraine.

In this context, the company has kept its commitment to its customers and extended the price reduction initiative started in 2021 via the Commitment Tariffs, both in electricity and gas. More than 2 million customers have benefited from them.

As part of its commitment to the fight against climate change, Naturgy also reached an important milestone in 2023 by reaching more than 1,600,000 contracts with green electricity certificates via a mechanism of guarantees of origin and 580,000 contracts with green gas certificates via emission reduction certificates.

As a company committed to the communities and the environment in which it operates, I would like to highlight the progress made in the last financial year in the implementation of the social engagement model in several territories where the company is developing the construction and operation of renewable energy facilities. This model concretises Naturgy's social commitment in the territories where the company operates, through actions focused on education and awareness-raising for different target groups, the promotion of training actions to create local jobs and the adoption of agreements and alliances with different local groups.

Naturgy, goals achieved

During 2023, the company presented the strategic review with a 2025 horizon following the execution of the first half of the Strategic Plan 2021-2025 and exceeding all committed targets to date. Investments for the five-year period 2021-2025 would amount to more than 13.2 billion, an increase of more than 5 billion compared to the previous strategic period.

The results achieved in 2023 confirm that adequate progress is being made in the implementation of the strategy. Specifically, in 2023, Naturgy has posted an Ebitda of Euros 5,475 million with a net result of Euros 1,986 million.

"In 2023, total investments have grown by almost 12%. Of the total invested, more than 60% has been allocated to growth, mainly to the development of renewable generation projects and networks."

The Networks combined business in both Spain and Latin America grew compared to 2022 due to both the tariff update and improved operating performance. The good global performance of businesses in Latin America was partially offset by a negative impact of exchange rates, mainly by the depreciation of the Argentine peso.

Liberalised activities continued to adapt to the volatile energy environment during the year. Most of the Ebitda growth was contributed by the Energy Management, Renewable Generation and Retail Supply segments.

These results have enabled the company to undertake investments and meet its shareholder remuneration commitments, improve the ratio of net financial debt to Ebitda to 2.2x, and maintain a high level of tax contribution with Euros 2,229 million generated for public administrations.

Beyond financial results, our sustainability management has also been recognised by the market. As an example of this, the company has been recognised by Ecovadis with the Gold medal, ranking Naturgy among the top 5% of all the companies scored by this rating platform. In addition, we have been recognised once again as a world leading company for our action against climate change and water management by the prestigious Carbon Disclosure Project (CDP) index and for another year, uninterruptedly for two decades, Naturgy continues to appear on the FTSE4Good index.

Naturgy, a team of people up to the challenge

None of this would have been possible without the trust, work and commitment of all the people who are part of this corporate project, with whom Naturgy maintains a strong commitment to their development, evidenced by the 14% increase in the number of hours devoted to training in 2023.

Naturgy maintains a firm commitment to the health and safety of people, supported through policies and actions aimed at preserving and promoting responsibility in this area. Consequently, in 2023 the Management Committee approved a new health and safety plan for the 2024-2025 period, which will contribute to the achievement of the commitments and targets in health and safety assumed by the Board of Directors.

The company considers essential the promotion of diversity and equal opportunities among all company employees. Thus, in 2023, the Naturgy Equality Plan was signed, which enhances the strengths in this area and introduces a catalogue of specific measures and actions to maintain, correct and prevent deviations in terms of equality.

Lastly, I would like to thank the trust, work and effort of all those people who make Naturgy's success possible: the support of the shareholders, the loyalty of our customers and suppliers and, especially, the trust and commitment of all the professionals linked to the company. The achievements I mention in this letter and those that appear throughout the report belong, without a doubt, to all of them.

Thank you very much,

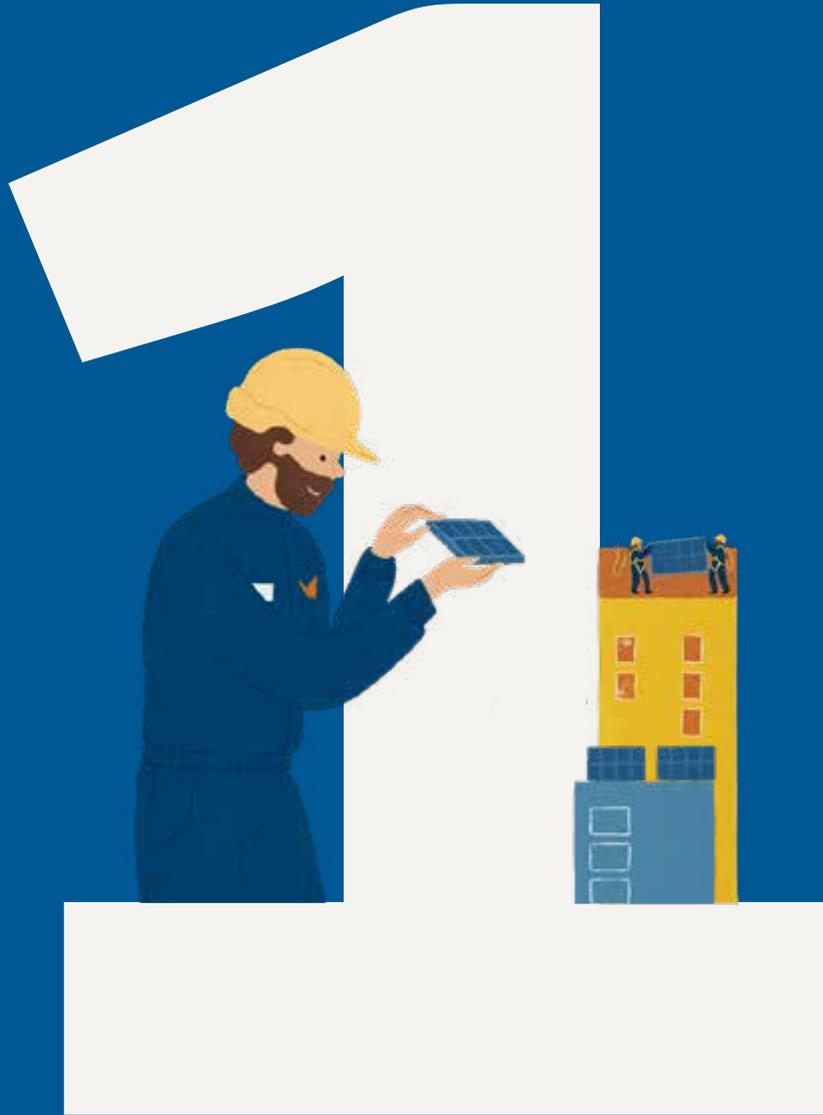
A handwritten signature in dark ink, appearing to read 'Francisco Reynés', is written over a light blue horizontal line. The signature is stylized and cursive.

Francisco Reynés
Executive Chairman

Madrid, February 2024.

Naturgy's vision for the future

Ground-breaking in the introduction in Spain of town gas and, later, natural gas; almost two centuries later, **Naturgy continues to demonstrate its innovative and pioneering spirit with the introduction of renewable gas** as a fundamental energy carrier in the energy transition, **together with the promotion of renewable wind and solar power.**



1.

Naturgy's vision for the future

1. Purpose and strategy.
2. Commitment to sustainability.

180 years ago, the project that today is Naturgy was born with the vocation of transforming the world through energy. Ground-breaking in the introduction in Spain of town gas and, later, natural gas; almost two centuries later, Naturgy continues to demonstrate its innovative and pioneering spirit with the introduction of renewable gas as a fundamental energy carrier in the energy transition, together with the promotion of renewable wind and solar power.

Throughout this time, Naturgy has established itself as one of the main players in the energy evolution not only in Spain, but also in many other countries where it has brought technological advances that have improved the lives of millions of people, have contributed to the competitiveness of thousands of companies and have promoted the welfare and economic growth of diverse societies on five continents.

In these 180 years, Naturgy has been able to adapt its business model to the social, technological and economic changes that have taken place in the world through a business management that is resilient to the different contexts of history and a transforming culture that drives people's day-to-day lives.

The Naturgy of the present and the future is fully committed to sustainable development and environmental, social and governance criteria, with a special emphasis on the reduction of greenhouse gas emissions, and to this end it is based on a business model focused on guaranteeing the supply of competitive, safe and sustainable energy that is committed to renewable energies and gases.

The company looks to the future inspired by the pillars that have guided it for nearly two centuries and driven by its purpose and transformative values.

1. Purpose and strategy

In a global scenario that continues to be stressed by different simultaneous crises, geopolitical conflicts, tensions in the supply chain and the evolution of climate change, together with an economic context marked by inflation and the hike of interest rates that exacerbate inequality, families and companies feel the vulnerability of society and the planet.



In this scenario, Transforming together, Naturgy's purpose, defines the direction and the future of the company. A future that involves transforming the world through energy, tackling with determination the challenges of the energy transition and the demands of society, working with excellence, transparency and the talent of a committed team and together with stakeholders.

Four values guide Naturgy's purpose: innovate for a better future (Forward Vision), work with excellence (Excellence Driven) from the most human side (People Oriented), and with the ultimate goal of contributing to a more sustainable world (One Planet).

To carry out this purpose and generate a positive impact on people and nature, the company has defined a Strategic Plan 2021-2025 based on five pillars: the search for organic growth, the focus on renewable and network activities, the continuous improvement of processes (in particular customer relationship), the full integration of Environmental, Social and Governance (ESG) criteria in strategy and management, and the cultural transformation that makes all of this possible.

In 2023, the macroeconomic scenario influenced by high inflation and the resulting high interest rates that add uncertainty to the economic outlook, the unprecedented volatility in the energy sector, regulatory changes accompanied by an acceleration of energy transition plans in both Europe and the United States, not to mention the prominence of ensuring security and affordability of supply, made it advisable to analyse the evolution of the Strategic Plan in light of these trends.

This review, carried out halfway through the plan, incorporates and highlights the role that Naturgy will continue to play as a key player in providing a balanced solution to the energy trilemma

The energy transition must balance the trilemma

Naturgy will continue to play a key role in addressing the energy trilemma.



Security of supply

- › Essential role in procuring gas to the Spanish economy (>30% of imported gas).
- › Take or pay risk in gas procurement contracts.
- › CCGTs increased activity/higher baseload needs.

Sustainability

- › Renewable installed capacity as % of total by 2025: 50%.
- › Increased focus on renewable gases.

Competitive and affordable prices

- › 60% of customers benefited from Naturgy's longterm price initiatives in 2022.
- › Measures to support shift to gas regulated tariffs.

Who are we?

Our business model

Naturgy Energy Group, S.A. and its subsidiaries (hereinafter Naturgy) is a group dedicated to the generation, distribution and commercialisation of energy and services in over 24 countries. It supplies gas and electricity to almost 16 million customers. Its installed capacity is 16.2 GW and offers a diversified mix of electricity generation. A resilient model to meet the challenges of the energy transition.

What are we like?

Our principles

- › **Forward Vision:** innovating for a better future.
- › **People Oriented:** transforming from the most human side.
- › **Excellence Driven:** working with excellence.
- › **One Planet:** for a more sustainable society.

What do we seek to achieve?

Our purpose

Transforming together: transforming the world through the energy transition and responding to the demands of society and customers. Naturgy wants to do it together with its employees, customers, shareholders and partners.

How are we going to achieve this?

Our strategy

- › **Grow:** pursue organic growth consistent with the energy transition and deploy opportunistic asset rotation to speed up the transformation.
- › **Focus on:** renewables and networks activities in stable geographies and regulatory frameworks and reduce volatility in supply commitments.
- › **To be a best-in-class company:** to carry out continuous improvement processes, increasing the digital footprint and reinventing the relationship with customers.
- › **Continue to incorporate ESG aspects:** rooted in the essence of the company, aligned with the SDGs and guided by tangible goals to meet commitments.
- › **Change the culture:** drive passion in employees through core values and be aligned with different stakeholders.

Main investment objectives

In economic terms, Naturgy's Strategic Plan pursues ambitious objectives, with an estimated investment for the 2021-2025 period of Euros 13,200 million. This investment is established by maintaining financial discipline and focusing on projects with predictable return in renewable energies and grids

For the 2023-2025 period, an investment of Euros 9.9 billion is estimated, in which the two main lines of investment are distributed as follows:



Renewables

~ **Euros 6,000 million**

- › Proven generation technologies.
- › Focus on attractive geographies.
- › Commitment to innovation.
 - Distributed generation.
 - Biomethane and hydrogen.
 - Sustainable mobility.



Networks

~ **Euros 2,800 million**

- › Focus on solid frameworks with proactive regulatory management.
- › Ongoing projects to achieve full automation and remote operation.
- › Adaptation of existing infrastructures to play a key role in the energy transition.

It should be noted that 80% of the Strategic Plan investment will be eligible under the EU Taxonomy of Sustainable Finance. This investment will therefore be aligned with the energy transition.

ESG at the core of the company's vision

Naturgy's Strategic Plan, as well as the Sustainability Plan emanating thereof, reflect the company's commitment to the environment, society and governance (ESG). Placing sustainability as the backbone of the company's strategy roadmap allows it to reduce its environmental impact, increase the involvement and commitment of stakeholders and endorse the company's commitment to the energy transition.

Naturgy's contribution to the energy transition is based on an approach that encompasses three complementary and mutually influential realities: Climate, Nature and People, to provide a balanced response to the energy trilemma.

In addressing the energy transition, it is essential to understand the effects of climate change on biodiversity loss and the relevance of positive natural capital creation in reducing greenhouse gas emissions. However, the economic and social changes resulting from the energy transition, whether due to job losses, changes in living conditions due to the development of renewable energies or the rising cost of raw materials such as energy, mean that the solution to climate and nature issues must take people into account. This must be done in such a way that this change contributes to the creation of a shared wealth that allows for fair adaptation and does not cause greater inequalities.

The main objectives of Naturgy included in the Sustainability Plan to 2025 in ESG matters are:

		Target 2025	2023	2022	
 Environment Zero net emissions by 2050	> GHG emissions reduction.	27%	30%	16%	Reduction of tCO ₂ eq (scopes 1+2+3) ⁽¹⁾ .
	> Biodiversity.	350	353	265	Projects (#).
 Social Gender parity by 2030	> Enhancing diversity.	40%	36%	27%	Women in executive and management positions. Spain.
	> Extending ESG policies in the supply chain.	95%	84%	70%	Suppliers audited in ESG.
 Governance ESG-aligned management remuneration	> ESG objectives as part of management incentives.	20%	20%	3%	ESG-linked variable remuneration.
	> Climate change risk and Taxonomy reports.	100%	Partial	Partial	Implementación de TCFD y Taxonomía UE.

NB: 1. vs. 2017. Scopes 1+2 aligned with the 1.5°C scenario and Scope 3 aligned with the WB2D scenario.

The “Business Model” chapter of this report details the deployment of the company’s strategy.

During 2023, Naturgy has made significant progress in the implementation of this Strategic Plan, as evidenced by the following key indicators:

Pillars of the 2021-2025 Strategic Plan	Key achievements in 2023
<p>Growth</p>	<ul style="list-style-type: none"> › Ebitda in 2023 exceeded Euros 5,475 billion mainly as a result of volatile energy prices in the period. This strong Ebitda growth of 10.5% vs 2022 was achieved by decoupling it from the carbon footprint, which was reduced it by 8.5%. › Naturgy is committed to investing Euros 13,200 million within the framework of its Strategic Plan 2021-2025. In 2023, investments grew by 12.0% year-on-year to Euros 2,136 million. 79% of these investments are eligible under the EU Taxonomy. › Net debt remained stable at Euros 12,090 million while net financial debt/Ebitda stood at 2.2 times compared to 2.4 times in 2022.
<p>Focus</p>	<ul style="list-style-type: none"> › Naturgy already has 6.4 GW of renewable energy capacity in operation, of which 1 GW came into operation in 2023. › The Vila-Sana plant, which will start injecting renewable gas into the grid in the first half of 2024, will become the company's third commercially operated facility in Spain. Located in a livestock farm, it will generate biomethane to supply the equivalent annual consumption of 3,150 homes and will prevent the emission into the atmosphere of around 2,450 tonnes of CO₂ per year, injecting 11.5 GWh/year into the gas distribution network. › The first energy output from the 7v Solar Ranch photovoltaic plant, Naturgy's first renewable energy plant in the United States, which has a peak capacity of 300 MW and will generate 560 GWh of electricity per year, took place at the end of 2023. › In Australia, Naturgy began operating its third wind farm (BerryBank II), increasing the company's total installed capacity to 396 MW, including 10 MW of battery storage capacity.
<p>Best-in-class</p>	<ul style="list-style-type: none"> › Naturgy has extended the price reduction initiative started in 2022, both in electricity and gas, to more than 2 million customers (residential and SMEs). Of these, 1.5 million have benefited from a reduction of more than 30% in the variable energy price. › During 2023, Naturgy has maintained its commitment to sustainability, achieving an important milestone by having more than 1,600,000 contracts with eco electricity certificates (through Guarantees of Origin mechanisms - GoO) and 480,000 contracts with eco gas certificates (through Certified Emission Reduction Certificates - CERs).
<p>ESG</p>	<ul style="list-style-type: none"> › 84.4% ESG audit coverage of purchase volume with high ESG risk. › Reduction of total greenhouse gas emissions by 30% since 2017. › 353 biodiversity initiatives in course on an international level, 22% of which are voluntary. Environmental restoration actions were carried out on 336 ha. 22% of this area corresponds to protected areas, habitats or species.

Pillars of the 2021-2025 Strategic Plan

Key achievements in 2023

ASG

- › 26% of executive and management positions are filled by women.
- › An 84% coverage of ESG audits has been achieved over the purchase volume with high ESG risk.

Culture

- › The company's Flex&Lead programme aims to recruit young, diverse talent externally, with a target of 300 young people by 2025. More than 150 people have joined the programme so far, 81% of whom are women.
- › Signing of Naturgy's Equality Plan 2023-2027 and signing of the Protocol on sexual and/or gender-based harassment, with adaptation to Law 2/2023 of 20 February.
- › The global model for measuring the satisfaction and commitment of Naturgy employees has been consolidated. Through regular organisational listening, actions are taken to continuously improve the employee experience. At the end of 2023, 49% of company employees were promoters, 18 points more than in 2022.



2. Commitment to sustainability

Naturgy, in its role as an energy company, has the capacity to make a key contribution to the sustainable development and prosperity of the communities and the people with whom it has a relationship through its services. Specifically in relation to the sustainable development agenda currently in force (2030 Agenda and the United Nations Sustainable Development Goals), Naturgy contributes directly and positively to the achievement of the following goals:



Ensure universal access to affordable, reliable and modern energy, increase the use of renewable energy and promote energy efficiency.

In 2023, Naturgy increased its installed capacity in renewable energies by 17% and works actively to offer society at large and its customers in particular alternative forms of environmentally-friendly energy such as renewable gas, of which the company had a production and injection capacity of 0.30 TWh in 2023.



Make cities and human settlements inclusive, safe, resilient and sustainable. Naturgy works actively to offer products and services to its customers that help improve energy efficiency and air quality in healthier cities.

In 2023, Naturgy commercialised the commissioning of more than 9,500 self-consumption photovoltaic installations in Spain, representing an installed capacity of 50.3 MW.

The solutions and measures aimed at improving the energy efficiency of Naturgy's customers have led to savings in gas and electricity consumption equivalent to 1.3 TWh.



Take urgent action to combat climate change and its effects. In 2023, Naturgy reduced its total greenhouse gas emissions by 30% compared to the base year 2017.

However, Naturgy is aware that its ability to contribute to sustainable development also lies in the way its activities are managed internally. In other words, it does not only matter what the company does, but also how it does it. Thus, for example, we understand:

- › That working for the social integration of vulnerable groups helps eradicate poverty, boosts economic growth and lessens social inequalities.
- › That ensuring inclusiveness in the company contributes to a more diverse and egalitarian society.

- › That digitalisation of its services contributes to innovation and infrastructure development.
- › That governance, risk management and compliance standards affect the social stability of the communities in which the company operates.

Therefore, Naturgy has formalised in the Corporate Responsibility Policy a set of internal commitments that emanate from its purpose as a company. Listed below are the drivers of the Sustainability Plan, their alignment with Naturgy values, the commitments of the Corporate Responsibility Policy and the main SDGs on which they will have an impact, both directly and indirectly:

Driver	Our values	SDG	Our commitments
Integrity and trust	› Excellence Driven.	8 10 12 16 17	› Integrity and transparency. › Responsible supply chain.
The opportunity of environmental challenges	› Forward Vision. › One Planet.	3 6 7 9 11 12 13 14 15	› Responsible environmental management.
Customer experience	› Excellence Driven.	7 9 11 12 17	› Service excellent.
Commitment and talent	› Forward Vision. › People Oriented.	3 4 5 8 9 10	› Interest in people. › Health and safety.
Innovation and new business development	› Excellence Driven.	7 8 9 11 12 13 15 17	› Commitment to results. › Service excellent.
Social responsibility	› People Oriented. › Excellence Driven.	1 3 7 8 10 11 12 17	› Social commitment. › Responsible supply chain. › Integrity and transparency.



In 2021, Naturgy defined the Sustainability Plan in an integrated manner with the 2025 Strategic Plan. In 2023, together with the strategic review, the company revised the indicators and objectives of the Sustainability Plan. It contains six levers for action and 70 targets to improve the company's management and performance in relation to those aspects of the environment to which it has the greatest potential to contribute (see details in next chapter).

Business model

Naturgy has been working for 180 years in the energy sector thanks to **a business model that has been able to adopt** the social, technological and economic **changes** that have taken place in the world.

Its success in the face of environmental challenges and opportunities is the result of **business management that is resilient to the different contexts of history and a transformational culture** that cares about people's daily lives.



2.

Business model

1. Organisational structure and businesses in which it operates.
2. Geographical presence.
3. Company situation.
4. Sustainability Plan.
5. Sustainable finance and Taxonomy.

Naturgy has been working for 180 years in the energy sector thanks to a business model that has been able to adopt the social, technological and economic changes that have taken place in the world. Its success in the face of environmental challenges and opportunities is the result of business management that is resilient to the different contexts of history and a transformational culture that cares about people's daily lives.

The company is aware of the global challenge posed by the fight against climate change and has therefore transformed and refocused its business towards the energy transition through a strategy based on promoting renewable energies and a sustainable business model that contributes to the social and environmental challenges facing humanity.

1. Organisational structure and businesses in which it operates

Naturgy Energy Group, S.A. was incorporated in 1843 and its registered office is at Avenida América, number 38, Madrid. In 2023, the company celebrated 180 years of history of providing solutions for the progress of society.

Naturgy Energy Group, S.A. and its subsidiaries (hereinafter Naturgy) make up a group dedicated to the generation, distribution and commercialisation of energy and services. Its business model, focused on value creation, is committed to the sustainable development of society, guaranteeing the supply of competitive and safe energy with maximum respect for the environment.

Naturgy is present in more than 24 countries, supplies gas and electricity to almost 16 million customers, reaching market shares in gas and electricity contracts in Spain of 44.3% and 14.6% respectively, with an installed capacity of more than 17.1 GW and a diversified mix of electricity generation.

It operates in the regulated and deregulated gas and electricity markets, with a significant contribution from international activity, mainly in the following areas:

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

Business model

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

Naturgy, following the process of continuous transformation, has reorganised its businesses around two major strategic areas (Distribution Networks and Energy Markets) that provide visibility of the evolution of the businesses and on the basis of which the following operating segments are defined:

- › **Distribution Networks:** groups together the business segments dedicated to the management of regulated gas and electricity distribution and transmission infrastructure:
 - **Gas Spain:** includes the regulated gas distribution business in Spain.
 - **Gas Mexico:** includes the regulated gas distribution and commercialisation business in Mexico.
 - **Gas Brazil:** includes the regulated gas distribution and commercialisation business in Brazil.
 - **Gas Argentina:** encompasses the regulated gas distribution and commercialisation business in Argentina.
 - **Gas Chile:** encompasses the gas network and commercialisation business in Chile.
 - **Electricity Spain:** includes the regulated electricity distribution business in Spain.
 - **Electricity Panama:** includes the regulated electricity distribution and commercialisation business in Panama.
 - **Electricity Argentina:** includes the regulated electricity distribution and commercialisation business in Argentina.

In 2022, these segments formed the Iberia Networks and Latin America Networks groupings. Within this block, there is also a holding company that carries out transversal activities directly linked to the grouping's businesses.

- › **Energy Markets:** integrates the liberalised business segments with the following breakdown:
 - **Energy Management:** includes the following activities:
 - the commercialisation of liquefied natural gas as well as the maritime transport activity (LNG International until 31 December 2022).
 - management of gas supply and other gas infrastructures and commercialisation to large energy-intensive consumers (at 31 December 2022, all these activities were part of the Markets and Procurement segment).

- the management of the Medgaz pipeline, consolidated under the equity method (Gas Pipelines until 31 December 2022).

- **Thermal generation:**

- **Spain:** includes the management of conventional thermal generation (that which uses fuels for heat generation and which does not have a special regime) in Spain (nuclear and combined-cycle).
- **GPG Latin America:** includes the management of Global Power Generation's (GPG) conventional thermal generation in Mexico, the Dominican Republic and Puerto Rico, the latter integrated by the equity method through the company EcoEléctrica LP.

- **Renewable generation:**

- **Spain:** includes the management of the wind farm and generation projects of wind, mini-hydro, solar and co-generation energy sources, additionally incorporating the generation of hydropower electricity located in Spain, as well as the development portfolio in the rest of Europe.
- **GPG Latinoamérica:** includes the management of renewable electricity generation facilities and projects of GPG located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama).
- **GPG Australia:** includes the management of the renewable electricity generation facilities projects for GPG located in Australia.
- **United States:** includes the management of photovoltaic generation projects being developed in the United States.
- **Renewable gases:** covers the management of renewable gas projects, specifically biomethane and green hydrogen. It also includes sustainable mobility projects. As at 31 December 2022, it was included in the Renewables and New Businesses segment.
- **Commercialisation:** the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and services, as well as developing the full potential of the brand.

In 2022, these segments made up the Energy Management, Renewables and New Business and Commercialisation areas. It also includes a holding company that carries out transversal activities directly linked to the businesses of this grouping

- › **Other:** basically includes the corporation's operating expenses, as well as the rest of the activities considered in New Businesses at 31 December 2022.

⁽³⁾In Naturgy's Consolidated Report at 31 December 2023 and 2022, the co-generation activity is considered as part of the Renewable Generation Spain CGU because there is a single management unit that handles the co-generation operations and assets together with the wind, mini-hydro and solar generation businesses. Likewise, the remuneration of co-generation facilities, as is the case with wind and solar facilities in Spain, is subject to Royal Decree 413/2014, of 6 June, regulating the activity of electricity production from renewable energy sources, co-generation and waste.

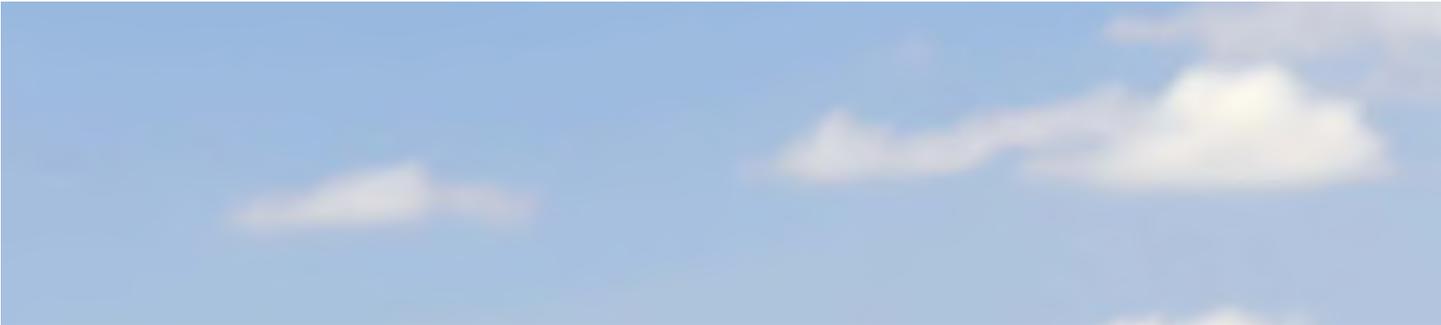
Throughout the value chain, Naturgy's Business Model stands apart as a leader in the gas sector and a key player in the electricity sector, in both cases ensuring the continuity of supply, which is essential to providing a quality service and fulfilling the company's social mission; providing a broad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

Annex I to the Consolidated Annual Accounts has detailed information on the companies that form part of Naturgy and the activities they carry out.



Businesses in which it operates

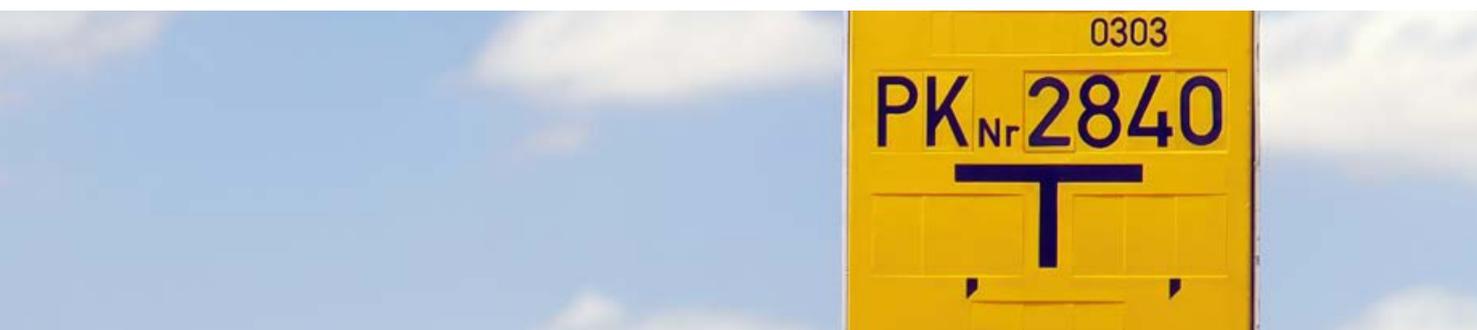
Leadership in the gas business

	Networks	Gas
	Gas distribution	Infrastructure
		
	<p>11.1 million supply connections. 136,970 km network</p>	<p>LNG tankers on long-term lease. Medgaz gas pipeline.</p>
Our positioning	<p>Spain Leader in Spain with a 70%, market share, distributing natural gas to more than 1,200 municipalities in ten 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 in five of the largest Latin American cities of said countries.</p>	<ul style="list-style-type: none"> › Seven methane tankers (1.16 Mm³). › 24.5% stake in the Medgaz gas pipeline › Stake in the Ecoeléctrica regasification plant and the liquefaction plant of Qalhat. › Leased storage capacity of 0.8 bcm.
Our strengths	<p>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>	<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>

Procurement

Renewable gases

Commercialisation



~21 bcm supply portfolio.

~2 MW installed biomethane production capacity in own plants.

248,6 TWh de gas comercializado.

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).

Biomethane: capacity of 0.30 TWh installed in production and injection. Two company-owned production plants and a portfolio of 37 own projects under development for the production of biogas and upgrading to biomethane with the aim of injecting into the natural gas network.

Green hydrogen: Naturgy has worked on the development of large production hubs linked to just transition zones, especially in areas affected by the closure of thermal power stations.

More than 3.5 million retail and industrial customers and LNG sales in numerous countries worldwide.

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

44.3% market share in gas contracts in Spain.

Competitive supply to combined-cycle power stations (CCGT).

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

The coexistence and gradual replacement of natural gas with renewable gases in the group's current distribution infrastructures will enable the decarbonisation of both the networks throughout Spain and the gas consuming sectors (industry, residential and transport).

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

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

A key player in the electricity business

	Networks	Electricity
	Electricity distribution	Thermal generation
		
	<p>4,8 millones million supply connections. 156,232 km network.</p>	<p>10.7 GW of generation capacity.</p>
Our positioning	<p>Spain The third-largest operator in the Spanish market, where it distributes electricity to 3.8 million customers.</p> <p>Latin America Presence in Argentina and Panama with 1 million customers.</p> <p>Naturgy is a leader in the markets where it operates.</p>	<p>Spain Capacity of 8.1 GW (7.4 GW combined-cycle power stations, 0.6 GW nuclear and 0.1 GW co-generation).</p> <p>In June 2020, coal-fired generation activity was abandoned.</p> <p>Naturgy's market share is 17.32%.</p> <p>International Capacity of 2.6 GW: 2.4 GW combined-cycle power stations (Mexico) and 0.2 GW oil-fired (Dominican Republic).</p>
Our strengths	<p>Naturgy is an efficient operator in terms of operation and maintenance costs in the electricity distribution business.</p>	<p>Naturgy has far-reaching knowledge in all generation technologies with which it operates and provides an infrastructure which is able to adjust to the needs of each energy model and the real situation in each particular country.</p>

Renewable generation

Commercialisation



6,4 GW of generation capacity.

20.6 TWh of electricity commercialised.

Spain

Capacity of **4.9 GW** (2.1 GW hydropower, 2.4 GW wind and 0.4 GW solar). Naturgy's market share is 6.8%.

International

Capacity of **1.5 GW**: 0.1 GW hydropower (Costa Rica and Panama), 0.8 GW wind (Mexico, Chile and Australia) and 0.6 GW solar (United States, Brazil and Chile).

Leader in the mainstream consumer and residential segments, with a total market share of **14.6%** in Spain.

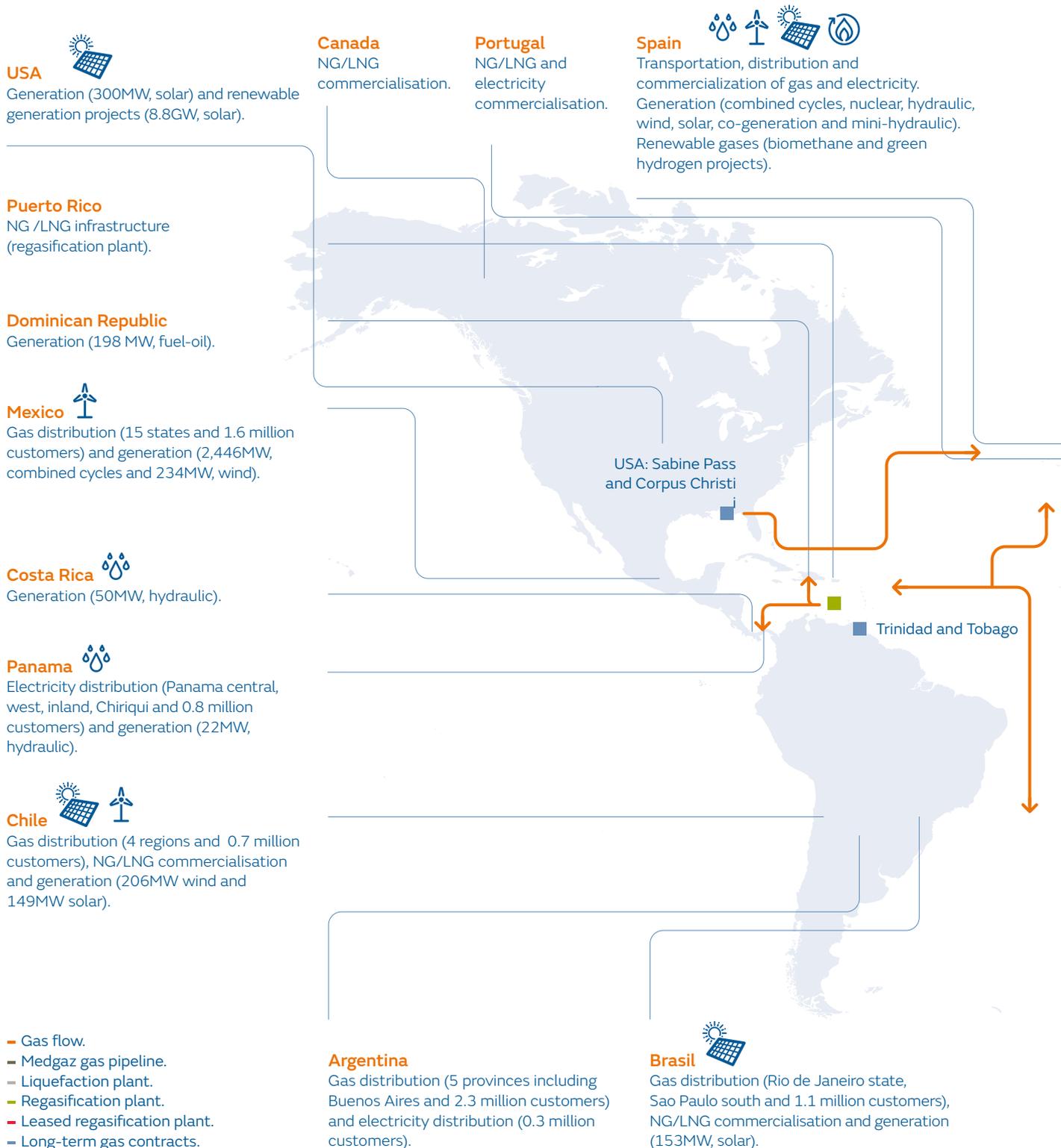
One of the main traders in the Spanish market.

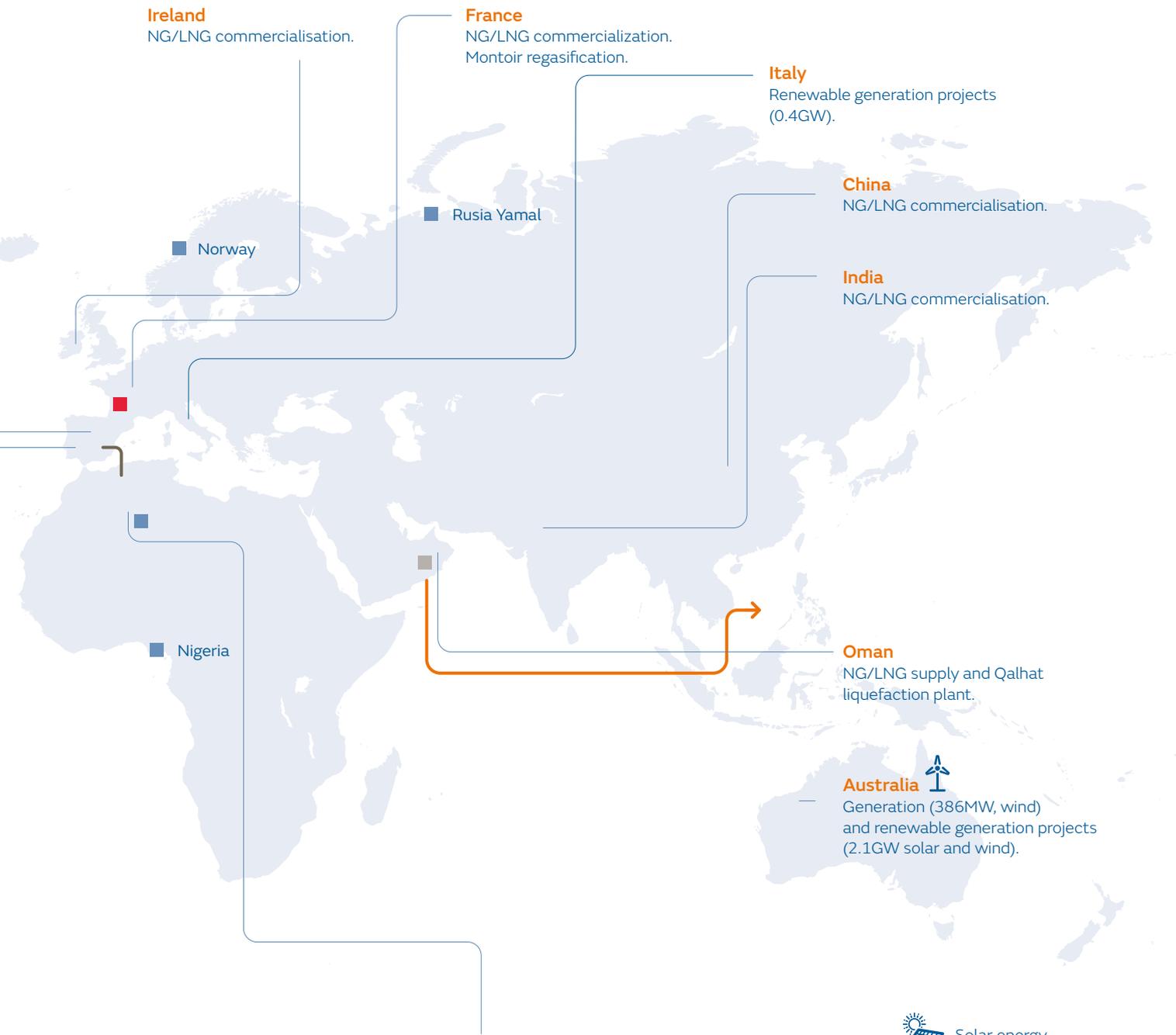
A dual fuel supply and a broad range of value-added services.

Naturgy maintains a good growth positioning, mainly focused in Spain, Australia and the United States, which will allow it to take advantage of investment opportunities in generation in these geographies.

Naturgy has a leading position in the combined commercialisation of natural gas and electricity that affords the company major advantages, such as lower service costs, integrated customer care and lower acquisition costs, not to mention greater customer loyalty.

2. Geographical presence





Argelia
 NG/LNG supply and Medgaz
 gas pipeline.

-  Solar energy.
-  Wind energy.
-  Hydraulic and mini-hydraulic energy.
-  Renewable gases.

3. Company situation

Evolution and results 2022

Overall results

Net turnover

Net revenues in 2023 amount to Euros 22,617 million, 33.4% lower than in 2022, mainly as a result of higher energy prices, exceptionally high in 2022 following the start of the Russia-Ukraine conflict.

Ebitda performance

Consolidated Ebitda for the 2023 financial year totals Euros 5,475 million, up 10.5% compared to 2022, supported by the good results of both the international regulated activities, due to the tariff update and improved operating performance, and the liberalised activities due to the international energy situation, the increase in installed renewable energy capacity and the improved management of the sales portfolio and the optimisation of its supply costs.

Debt ratio

Net debt remained stable at Euros 12,090 million while net financial debt/Ebitda stood at 2.2 times compared to 2.4 times at 31 December 2022.

Free Cash-flow after minority interests

The 2023 free cash flow after minority interests amounted to Euros 2,536 million, supported by the liberalised activities abroad. Naturgy has maintained a stable net debt position, from Euros 12,070 million at the end of 2022 to Euros 12,090 million at the end of 2023, while making investments and acquisitions in the amount of Euros 2,671 million and meeting its shareholder remuneration commitments of Euros 1,441 million.

Completed transactions

There have been no completed transactions in 2023 with an impact on comparability in 2023 vs 2022 results

Investments

The tangible and intangible investments for 2023 totalled Euros 2,136 million, with an increase of 12.0% year-on-year.

The split of tangible and intangible investments between maintenance and growth provides useful information on the investment profile of the group

Maintenance investments (CAPEX) in 2023 amounted to Euros 844 million, compared to Euros 736 million in the same period of the previous year, as a result of higher maintenance in distribution networks with an increase of 27.9% compared to 2022

Tangible and intangible growth investments (CAPEX) in the period represented more than 60% of total investments and amounted to Euros 1,292 million in 2023. The main growth investments in 2023 are:

- ▶ A total amount of Euros 316 million invested in network development in Spain and Latin America, of which Euros 171 million were invested in gas and electricity in Spain, Euros 47 million in Panama, Euros 28 million in Gas Chile, Euros 35 million in Gas Mexico, Euros 16 million in gas and electricity in Argentina and Euros 19 million in Gas Brazil.
- ▶ A total of Euros 864 million invested in the construction of different renewable projects, of which Euros 264 million in Spain, Euros 286 million in GPG Australia, Euros 297 million in the United States and Euros 17 million in GPG Latin America.
- ▶ A total of Euros 111 million in commercialisation activity

Naturgy maintains its commitment to the development of renewable generation, reaching nearly 6,4 GW of installed capacity by 31 December 2023. During the year, 1.0 GW of additional capacity came on stream, of which 575 MW in Spain, 300 MW in the United States, 109 MW at GPG Australia, including the storage battery, and 21 MW at GPG Latin America, in Chile.

In Spain, Naturgy reached an agreement with Ardian for the acquisition of 100% of ASR Wind, comprising: i) a portfolio of 12 renewable energy projects of 422 MW of regulated operational wind assets, already considered in the previous point and ii) solar PV hybridisation projects of 435 MW. The deal was completed in the third quarter of 2023.

In the coming years, Naturgy is committed to the construction of more than 24 wind farms and photovoltaic plants in Spain, equivalent to about 0.8 GW of additional renewable capacity that are expected to come on stream in the 2024-2025 period.

In the USA, Naturgy has completed the construction of its first photovoltaic plant, which came into operation in 2023. It has also started construction of the Grimes project (269 MW) in Texas, which will be its second photovoltaic installation in the country.

In Australia, Naturgy began operating its third wind farm (BerryBank II), increasing the company's total installed capacity to 386 MW, which do not include its 10 MW of battery storage capacity.

Also in Australia, Naturgy concludes the year with the start of construction of two additional photovoltaic projects (Glenellen of 260 MW in New South Wales and Bundaberg of 100 MW in Queensland) and plans to reach an operational renewable capacity of approximately 1 GW in 2024, with the entry into operation of the Ryan Corner (218 MW) wind farm in Victoria, the Hawkesdale (97 MW) wind farm in Victoria, the Crookwell III wind farm in New South Wales (58 MW) and the Cunderdin (128 MW) battery-hybrid PV plant (55 MW/220 MWh) in Western Australia.

Naturgy is also leading renewable gas development in Spain as a key pillar of decarbonisation, currently working on several green hydrogen, biomethane, storage and sustainable mobility projects, with a willingness to deploy capital and resources in this field. For further details of the projects on which Naturgy is working, see the chapter on “Innovation and new business development”.

Key financial and operational figures

Naturgy shares closed 2023 at a price of Euros 27.00 and stock market capitalisation of Euros 26,180 million, which represents a 11.1% increase versus the previous year-end.

Key financial figures

	2023	2022
Net turnover (million euro)	22,617	33,965
Gross operating profit or Ebitda (million euro)	5,475	4,954
Total investments (million euro)	2,136	1,907
Net profit (million euro)	1,986	1,649
Dividend paid (million euro)	1,454	1,164
Share price as at 31 December (euros)	27.00	24.31
Earnings per share (euros)	2.07	1.72

Contribution to Ebitda by activity (%)

	2023	2022
Distribution networks	48.2	49.7
Energy Markets	53.9	51.6
Other	(2.0)	(1.2)

Stock market indicators

	2023	2022
No. of shareholders (in thousands)	54	55
Share prices at 31/12 (euros)	27.00	24.31
Earnings per share (euros)	2.07	1.72
Share capital (No. of shares)	969,613,801	969,613,801
Stock market capitalisation (million euro)	26,180	23,571

Financial ratios

	2023	2022
Debt (%) ⁽¹⁾	50.3	54.7
Ebitda/Cost of net financial debt	11,3x	9,9x
Net debt/Ebitda	2,2x	2,4x

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

Profits earned by country (million euro)

	2023	2022
Spain	791	1,502
Argentina	5	23
Brazil	115	61
Chile	82	(68)
Mexico	44	162
Panama	13	11
Rest of Latin America	58	53
Total Latin America	317	242
Rest of the world	878	(95)
Total	1,986	1,649

The variation in profits obtained in Spain compared to fiscal year 2022 is mainly due to the drop in results due to a lower unit margin in gas sales, affected by the worst price scenario, lower production of combined cycle thermal generation and lower remuneration in Distribution Electricity, due to the recognition in 2022 of an adjustment related to the remuneration for the years 2017-2019. In relation to the increase in profits in the Rest of the world, it is a consequence of the effect of the ineffectiveness in gas sales hedging derivatives registered in 2022.

Main operational figures of Naturgy

	2023	2022
Gas distribution sales (GWh)	378,390	386,464
Gas distribution supply points (in thousands)	11,060	11,050
Electricity distribution supply points (in thousands)	4,868	4,827
Gas distribution network (km)	136,970	136,272
Length of electricity distribution and transportation lines (km)	156,232	155,060
Electricity generated (GWh)	43,888	47,029

Total energy production decreased significantly in 2023, mainly combined-cycle power stations due to lower energy exports to France and warmer temperatures especially in the winter period. This drop in thermal generation in Spain has been partially offset by an increase in renewable generation. The effect of warmer temperatures has also impacted gas distribution sales.

Gas supply and transportation (%)

	2023	2022
Others (LNG)	7.6	6.0
Nigeria	6.8	8.8
Trinidad and Tobago	3.9	7.6
USA	30.1	29.6
Others (NG)	6.9	6.0
Algeria	18.3	17.2

Continues >

	2023	2022
Oman/Egypt/others	9.6	9.2
Norway	0.8	0.6
Russia	16.0	14.9

In relation to the Yamal (Russia) contract, the delivery programme has been maintained as established in the contract and subject to any measures that may be taken by the European authorities regarding the operations carried out by the companies with Russia. In 2023, no sanctions have been applied on this contract.

Renewable gas

	2023	2022
Renewable gas production or injection capacity (TWh)	0.30	0.22

Renewable gases, including biomethane and hydrogen, are a key driver for the decarbonisation of Naturgy's gas business. More detailed information is provided in the chapters "The opportunity of environmental challenges" and "Innovation and new business development".

Energy mix of Naturgy (%)

	2023	2022
Thermal	1.2	1.2
Hydroelectric	11.8	12.8
Wind	19.0	16.1
Nuclear	3.5	3.7
Mini-hydropower	0.6	0.7
Solar	6.0	4.2
Co-generation	0.3	0.3
Combined-cycle	57.6	61.0

Installed capacity by source of energy (MW)

	2023	2022
Nuclear	604	604
Combined-cycle	7,427	7,427
Co-generation	51	51
Thermal power. Spain	8,082	8,082
Hydroelectric	1,951	1,951
Wind	2,426	1,885
Solar	428	394
Mini-hydropower	111	111
Renewable power. Spain	4,916	4,341
Total installed capacity. Spain	12,998	12,423
Fuel-oil	198	198
Combined-cycle	2,446	2,446
Thermal power. International	2,644	2,644
Hydropower	72	123
Wind	826	717
Solar	602	281
Renewable power. International	1,500	1,121
Total installed capacity. International	4,144	3,765
Total installed capacity	17,142	16,188

Net production by energy source (GWh)

	2023	%	2022	%
Nuclear	4,512	10	4,454	9
Combined-cycle	12,092	28	19,801	42
Cogeneration	295	1	191	0
Thermal production. Spain	16,899	39	24,446	52
Hydroelectric	3,554	8	1,531	3
Wind	4,650	11	4,058	9
Solar	652	1	425	1
Small hydro	559	1	447	1
Renewable production. Spain	9,415	21	6,461	14
Total production. Spain	26,314	60	30,907	66
Fuel-oil	722	2	594	1
Combined-cycle	13,858	32	12,636	27
Thermal production. International	14,580	33	13,230	28
Hydroelectric	395	1	613	1
Wind	2,026	5	1,733	4
Solar	573	1	546	1
Renewable production. International	2,994	7	2,892	6
Total production. International	17,574	40	16,122	34
Total production	43,888	100	47,029	100

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

	2023	2022
Australia	1,020	810
Brazil	295	278
Chile	574	561
Costa Rica	304	499
Spain	9,415	6,461
USA	1	0
Mexico	709	630
Panama	91	114
Total	12,409	9,353

Average efficiency by technology and regulatory system (%)

	2023	2022
Combined-cycle (Spain)	50.3	53.6
Combined-cycle (International)	53.7	53.3
Fuel-oil (International)	40.3	40.7

— Average availability factor by technology (%)

	2023	2022
Hydroelectric (Spain)	90.4	92.7
Nuclear (Spain)	93.1	91.0
Combined-cycle (Spain)	83.2	87.7
Wind (Spain)	97.1	97.9
Solar (Spain)	99.5	99.2
Mini-hydropower (Spain)	96.1	97.3
Co-generation (Spain)	94.4	92.7
Hydropower (international)	94.2	94.7
Wind (international)	90.2	93.7
Solar (international)	97.7	97.4
Fuel-oil (international)	92.2	92.9
Combined-cycle (international)	89.5	89.7

— Electrical energy losses in transport and distribution (%)

	2023	2022
Spain	8.2	8.5
Argentina	13.0	13.2
Panama	14.9	13.6

The increase in Panama's energy losses figure is mainly due to the 8% increase in demand compared to 2022 caused by the high temperatures recorded, which led to an increase in electricity consumption, affecting technical losses and energy theft in informal settlements.

4. Sustainability Plan

	Target 2025	2023	2022
Driver 1. Integrity and trust			
Sustainable financing and/or financing compatible with energy transitions (green finance, transition bonds...) (million euro)	5,492	7,983	6,923
Meetings held with ESG investors (number)	50	17	24
ESG risk (RepRisk) ⁽¹⁾	BBB	BB	B
Cost of resolving cybersecurity incidents (direct, indirect and reputational cost) (€) / IT disbursement (%)	0.3	0.0	0.0
Cybersecurity incidents / Millions of attacks (%)	4.7	3.2	2.8
Naturgy Energy Group BitSight International Index	790	780	730
Coverage level of ESG audits over purchase volume with high ESG risk (%)	95.0	84.4	82.7
Purchase volume with acceptance of the Code of Ethics (%)	95.0	96.4	95.4
Implementation of the Social Media Management and Use Guidelines	Implanted	Implanted	In progress
Maintain and renew ISO37001 and UNE19601 Certification (anti-bribery and criminal compliance management)	Renew	Yes	Yes
Criminal indictments for corruption-related offences (number)	0	0	0
Annual external audit of the Crime Prevention Model in accordance with article 31 bis of the Criminal Code	Favourable outcome in all subject countries	Favourable outcome in all subject countries	Favourable outcome in all subject countries
Counterparties assessed on the basis of ESG risk (%) ⁽²⁾	100	100	100

Continues >

	Target 2025	2023	2022
Non-financial indicators with qualifications (number)	0	0	0
Publish the Tax Transparency Report	Publish the Tax Transparency Report	In progress	In progress
Degree of compliance with the new recommendations of the CNMV' Good Governance Code (%)	Absorb all modifications to the CNMV's recommendations that may arise and undertake to comply with any others that are not related to the composition of the shareholding structure and the right to proportional representation, or related to previously acquired commitments	81	81
Adaptation of ICSNFI to ESRS requirements ⁽¹⁾	ICSNFI adapted to ESRS	ICSNFI adapted to Law 11/2018, GRI and SASB	N/A
Adaptation of reporting to ESRS requirements ⁽¹⁾	SR adapted to ESRS	Requirement analysis initiated	N/A
Driver 2. The opportunity of environmental challenges			
Absolute GHG emissions Scope 1 and Scope 2 (million tCO ₂ eq) ⁽²⁾	11.0	12.9	15.1
Absolute GHG emissions Scope 3 (million tCO ₂ eq) ⁽²⁾	109.4	101.7	110.1
CO ₂ intensity in electricity generation (tCO ₂ /GWh) ⁽²⁾	199	247	279
Installed capacity from renewable sources (%) ⁽²⁾	48	37	34
Capacity free of emissions (%) ⁽¹⁾	51.1	41.0	37.5
Renewable gases (TWh) ⁽²⁾	0.52	0.30	0.22
Water consumption (hm ³) ⁽²⁾	14.7	17.0	18.8
Intensidad de consumo de agua en generación (hm ₃ /TWh) ⁽¹⁾	0.31	0.39	0.40
Waste produced (kt)	110	115	94

Continues >

	Target 2025	2023	2022
Recycled or recovered waste (%) ⁽²⁾	93	95	92
Atmospheric emissions SO ₂ (kt) ⁽¹⁾	0.89	0.68	0.83
Atmospheric emissions NOx (kt) ⁽¹⁾	8.82	8.18	8.14
Initiatives to improve biodiversity (number)	350	353	345
TNFD recommendations (3) implementation at corporate level (%) ⁽¹⁾	100	25	N/A
Activity with ISO 14001 environmental certification (% Ebitda) ⁽⁴⁾	95.0	97.2	97.9
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	75	50
Eligible CAPEX according to European Taxonomy (%)	80	79	67
Driver 3. Customer experience			
Net Promoter Score (NPS) Spain commercialisation (global) (%) ⁽²⁾	45.0	27.0	20.8
Net Promoter Score (NPS) Argentina BAN (global) (%) ⁽²⁾	57.5	57.4	46.0
Net Promoter Score (NPS) Argentina Gasnor (global) (%) ⁽¹⁾	pending	64.1	N/A
Net Promoter Score (NPS) Brazil (global) (%) ⁽²⁾	60.0	58.7	52.1
Net Promoter Score (NPS) Chile Metrogas (global) (%)	65.0	68.0	56.2
Net Promoter Score (NPS) Mexico (global) (%) ⁽²⁾	46.0	73.0	39.4
Net Promoter Score (NPS) Panama (customer service) (%) ⁽²⁾	20.0	7.0	7.4
Global satisfaction with service quality (1-10) ⁽²⁾	8.5	8.0	7.6
No. of complaints registered / No. of contacts (%) ⁽²⁾	4.05	4.57	4.84
Customers with online billing (%) ⁽¹⁾	60.0	31.2	Not available

Continues >

	Target 2025	2023	2022
Interaction with digital channels. Spain (%) ⁽¹⁾	53.0	47.6	44.2
Interaction with digital channels. Latin America (%) ⁽¹⁾	50	31	Not available
Installed Photovoltaic self-consumption capacity. Spain (MW) ^{(1) (5)}	308	50	17
Photovoltaic self-consumption facilities. Spain (number) ^{(1) (5)}	29,889	2,779	2,725
Energy sold with renewable GoO. Spain (GWh) ⁽¹⁾	11,724	10,490	9,878
Volume of offset emissions. Spain (ktCO ₂ eq) ⁽¹⁾	420	444	487
Driver 4. Commitment and talent			
People trained out of the total number of employees included in talent transformation programmes (%)	75	81.7	83.5
Training per employee (hours)	>35,0	41.5	35.9
Women in executive and management positions. Spain (%)	40.0	36.2	33.7
Diversity of skills (out of total) (%)	2.5	1.6	1.6
Staff under 30 years of age (%)	10	6	5
Promoter employees (%)	40	49	24
Own staff lost time accidents frequency rate (OSHA criterion)	0.12	0.13	0.12
Own staff lost time accident severity rate (OSHA criterion)	6.15	5.62	5.66
Absenteeism rate due to common contingency (%)	≤3.0	1.8	2.6
Driver 5. Innovation and new business development			
Energy billed for mobility services (GWh)	1,377	793	933
Managed recharging points for NG-LNG vehicles (number)	19	13	13
Recharging points for electrical vehicles (number)	5,000	593	394

Continues >

	Target 2025	2023	2022
Customers acquired for self-consumption products (number)	2,886	3,121	2,725
Storage capacity. Spain (MWh) ⁽¹⁾	240	0	0
Storage power. Spain (MW) ⁽¹⁾	120	0	0
Signals remotely monitored / MW installed renewable technologies (number)	240	176	162
ICEIT. Spain (minutes)	36.4	30.7	35.4
Investment in innovation over Ebitda (%)	>2	1.54	1.52
OPEX innovation and technological innovation Totex (million euro) ⁽¹⁾	249	85	75
Driver 6. Social responsibility			
Attendees at energy efficiency workshops in Spain (number)	7,900	4,134	3,942
Energy rehabilitations. Spain (number)	>5.000	4,435	3,625
Volunteers (number)	1,000	908	646
Collaborating social entities (number)	20	47	31
Initiatives with impact assessment (%)	100	50	33
Total social investment ⁽⁶⁾ (million euro)	>8	11	11
Purchase volume assigned to local suppliers (%)	> 85,0	89.9	80.4

The main changes in the indicators, as well as their evolution, are analysed throughout this report.



⁽¹⁾ New targets included in 2023 in the review of the 2025 Strategic Plan.

⁽²⁾ Targets reviewed in 2023 in the review of the 2025 Strategic Plan.

⁽³⁾ Task force on nature-related financial disclosures (TNFD).

⁽⁴⁾ Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

⁽⁵⁾ Lower increase than expected due to a drop in trading volume in the domestic sector due to the increase in financing costs and a lower cost of energy

⁽⁶⁾ Includes social investment in the local community and philanthropic investment. It is estimated that when a methodology for assessing social impact is available, these figures will vary and definitive objectives will be established.

5. Sustainable finance and taxonomy

Sustainable financing and investor activities that take ESG criteria into account

Since 2012, Naturgy has been holding meetings with investors focused on assessing the Group's ESG policies. Throughout 2023, Naturgy has continued with this activity, participating in meetings and engagement processes with several investors, including Santander, BNP Paribas, Amundi and Axa IM.

Likewise, since 2017 and in line with its sustainability commitment, Naturgy has a framework for the issuance of Green Bonds targeted at financing renewable energies. Under this framework, on 15 November 2017, Naturgy issued a Green Bond for an amount of Euros 800 million, maturing in May 2025. The issue pays an annual coupon of 0.875%. At the close of December 2023, all the funds from the issue had been invested in the planned renewable projects. The Green Bond was approved by the Oekom rating agency, obtaining a B+ rating.

In the banking market, Naturgy currently has an amount of green finance amounting to Euros 6,289 million, 79% (Euros 4,946 million) of which corresponds to loans whose cost is linked to at least one of the following indicators:

- › Direct GHG emissions: three-year average reduction (MtCO₂/GWh).
- › CO₂ intensity of electricity generation: three-year average reduction (tCO₂/GWh).
- › Women in executive positions (%).

The adjustment in the cost of debt is linked to the level of compliance and its variation from the previous year's indicators. It should be noted that the financing linked to ESG indicators basically corresponds to credit lines that have not been drawn down.

The following table shows the evolution of ESG indicators to which these sustainable financing instruments are linked.

ESG indicators of sustainable financing

	2023	2022
Direct GHG emissions: three-year average reduction (MtCO ₂ eq)	13.4	14.2
CO ₂ intensity of electricity generation: three-year average reduction (tCO ₂ /GWh)	263	287
Water consumption: three-year average reduction (hm ³)	17.0	18.4
Women in executive positions ⁽¹⁾ (%)	26.2	26.2

⁽¹⁾ The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

In addition, Naturgy has several loans granted by the European Investment Bank (EIB) amounting to Euros 894 million for projects of activities that help mitigate climate change, specifically in electricity networks and electricity generation projects with renewable technologies that are aligned with the EU Taxonomy.

Report on the Green Bond

Indicators of use of funds

As at 31 December 2023, the total number of projects assigned to Green Bonds issued on 15 November 2017 was 35, representing a total investment of Euros 800 million. These assigned funds represent 100% of the total amount obtained through the issuance of Green Bonds.

Technology	Location	Name of the project	Year put into practice	Status	Green Bond Financing 2023 (€M)	% Financed with Green Bond	Avoided emissions (tCO ₂)	Avoided emissions financed with Green Bond (tCO ₂)
Photovoltaic	Spain	C.F. CARPIO DE TAJO	2019	Operation	30.06	98%	35,380	34,807
Photovoltaic	Spain	C.F. LA NAVA	2019	Operation	30.18	90%	47,200	42,549
Wind	Spain	P.E. AMPLIACION EL HIERRO	2019	Operation	38.29	85%	56,141	47,488
Wind	Spain	P.E. BALCÓN DE BALOS	2018	Operation	6.21	50%	18,836	9,367
Wind	Spain	P.E. BARASOAIN	2019	Operation	43.22	82%	46,496	38,181
Wind	Spain	P.E. DORAMÁS	2018	Operation	1.88	49%	3,766	1,829
Wind	Spain	P.E. FUERTEVENTURA II	2018	Operation	2.96	50%	4,651	2,312
Wind	Spain	P.E. LA HARÍA	2018	Operation	2.00	50%	3,843	1,917
Wind	Spain	P.E. LA VAQUERÍA	2018	Operation	1.96	50%	4,086	2,029
Wind	Spain	P.E. MERENGUE	2019	Operation	41.03	96%	57,303	55,060
Wind	Spain	P.E. MIRABEL	2020	Operation	23.80	82%	35,263	28,785

Continues >

Technology	Location	Name of the project	Year put into practice	Status	Green Bond Financing 2023 (€M)	% Financed with Green Bond	Avoided emissions (tCO ₂)	Avoided emissions financed with Green Bond (tCO ₂)
Wind	Spain	PE. MONCIRO	2019-20	Operation	36.37	85%	62,812	53,402
Wind	Spain	PE. MONTAÑA PERROS	2018	Operation	1.92	50%	4,519	2,245
Wind	Spain	PE. PEÑAFORCADA - CATASOL II	2019	Operation	11.01	89%	12,509	11,152
Wind	Spain	PE. PILETAS I	2020	Operation	10.43	49%	22,695	11,115
Wind	Spain	PE. SAN BLAS	2019-20	Operation	34.15	89%	48,144	42,884
Wind	Spain	PE. TESO PARDO	2019	Operation	30.52	81%	40,276	32,727
Wind	Spain	PE. TESORILLO	2019	Operation	30.12	92%	36,913	33,893
Wind	Spain	PE. TIRAPU	2020	Operation	16.65	79%	14,662	11,511
Wind	Spain	PE. TRIQUIVIJATE	2018	Operation	3.46	50%	6,908	3,435
Wind	Spain	PE. VIENTOS DEL ROQUE	2018	Operation	3.52	51%	8,866	4,510
Wind	Spain	PE. MONTEJO DE BRICIA (AMPLIACIÓN)	2019	Operation	6.87	85%	10,390	8,873
Wind	Spain	PE. FRÉSCANO	2019	Operation	21.74	91%	31,373	28,510
Wind	Spain	PE. SAN AGUSTÍN	2019	Operation	27.22	84%	53,036	44,651
Wind	Spain	PE. MONTE TOURADO - EIXE	2019	Operation	39.72	98%	62,820	61,705
Wind	Spain	PE. PASTORIZA - RODEIRO	2019	Operation	36.50	91%	65,603	59,527
Wind	Spain	PE. SERRA DO PUNAGO - VACARIZA	2019-20	Operation	28.70	85%	54,418	45,986
Photovoltaic	Spain	C.F. PICON I	2019	Operation	33.65	94%	41,419	38,770
Photovoltaic	Spain	C.F. PICON II	2019	Operation	31.70	91%	41,928	38,186
Photovoltaic	Spain	C.F. PICON III	2019	Operation	30.46	91%	41,050	37,371

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Technology	Location	Name of the project	Year put into practice	Status	Green Bond Financing 2023 (€M)	% Financed with Green Bond	Avoided emissions (tCO ₂)	Avoided emissions financed with Green Bond (tCO ₂)
Wind	Spain	P.E. TOROZOS A	2019	Operation	36.98	94%	55,528	51,937
Wind	Spain	P.E. TOROZOS B	2019	Operation	30.32	93%	46,440	43,027
Wind	Spain	P.E. TOROZOS C	2019	Operation	35.71	94%	56,688	53,183
Wind	Spain	P.E. MOURIÑOS	2019	Operation	10.21	77%	16,383	12,592
Wind	Spain	INFRAESTRUCTURAS COMUNES	2019	Operation	30.48	89%	0	0
					800.00		1,148,346	995,517

Green Bond funds as reported at 31 December 2023 have been allocated in full to investments in eligible assets in accordance with the requirements of the Green Bond Framework, remaining unchanged from the projects included in the report at 31 December 2022.

The net funds of the bond issue were managed within the liquidity portfolio of Naturgy's treasury, in cash or other short-term liquidity instruments that did not include intensive greenhouse gas or other controversial activities. At year-end, Naturgy maintained a minimum cash level equivalent to the funds pending award of the Green Bond.

Environmental benefit indicators

The estimated environmental benefit of the Green Bond is expected to total 995,517 tCO₂/year in emissions avoided, based on a total of approximately 807.7 MW of installed capacity financed by the green bond, with associated production of 1,817 GWh/year.

The methodology used to calculate the avoided emissions in 2023 is the United Nations' ACM0002 for Clean Development Mechanisms: "Grid-connected electricity generation from renewable sources", through calculation according to option b) of the simple-adjusted OM. This method weights the Operating Margin Emission Factor of low operating cost sources along with base load and other sources depending on the number of hours each is marginal.

Actions in environmental and social matters

In the projects, sustainability has been considered throughout its life cycle, in partnership with the competent administrations and with participation of the different stakeholders. In the design stage, an environmental study has been carried out in all the projects, where information has been gathered about the environment (physical, biological, socio-economic and cultural). This study has served as a baseline to define the most environmentally and socially sustainable project alternatives, identify and assess the associated impacts and define the necessary prevention, mitigation and, if necessary, compensation measures.

During the construction phase, a thorough environmental and archaeological follow-up is carried out in order to ensure that the project is executed with the established environmental and social guarantees. During the operation stage, the facilities are covered by Naturgy's environmental management system, which is certified and externally audited pursuant to the UNE-EN ISO 14001 standard, which ensures control and compliance with environmental requirements, the prevention of environmental accidents and the ongoing improvement in the reduction of the company's impacts.

Glossary of indicators

Indicators for use of funds	
Description of the financed projects	Description of the projects financed with Green Bonds, with details of generation technology, location (country), project name, year launched, completion status (1. Development, 2. Construction, 3. Operation and maintenance) at year-end.
Assigned Green Bond financing: Amount assigned (in Euros) per project and in total	Sum attributable to Green Bonds invested in projects that meet the Green Bond eligibility criteria listed in the Naturgy Green Bond Framework (in euros million) at year-end.
% financed with Green Bonds	Percentage of project investment attributable to Green Bonds at year-end.
Number of projects	Number of projects with financing attributable to funds from Green Bonds at year-end.
Total quantities assigned relative to total funds (%)	Percentage of the total investment attributable to Green Bonds across all projects relative to the total sum obtained through the issuance of Green Bonds (bond funds) at year-end.
Description of the use of non-invested funds	Description of the management of funds obtained through the issuance of Green Bonds that have not been assigned to any project, at year-end, in accordance with the "Naturgy Green Bond Framework".

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Environmental benefit indicators

Avoided greenhouse gas emissions (GHG)

CO₂ emissions (tonnes of CO₂/year) expected to be avoided each year through renewable energy projects (wind and solar), calculated by multiplying expected energy production by a regional average emissions factor (Iberian peninsula and Canary Islands). This emissions factor has been calculated using the methodology used by UNFCCC Clean Development Mechanism (CDM) projects, which allow the use of either an average regional emissions factor excluding emissions from low cost/must-run power stations when generation from these stations represents less than 50% of the electricity system total (simple method) or an average emissions factor from the entire regional electricity mix (including emissions from low cost/must-run power stations) when generation from these stations represents more than 50% of the electricity system total (average method). The data used to calculate the applied emissions factor come from publicly available information sources based on official statistics.

Energy capacity

Total power (MW) corresponding to the projects expected to be financed by Green Bonds

Energy production

Estimated annual electrical power generation (GWh/year) calculated by multiplying the energy capacity by the estimated average number of operating hours per year for each project expected to be financed by Green Bonds.

EU Taxonomy Report (Regulation 2020/852)

Introduction

To achieve the goals set out in the European Green Deal, the European Commission has committed to mobilise at least Euros 1 trillion for sustainable investment over the next ten years. The active participation of financial markets in financing the sustainable economy is essential for the European Union's plans towards a low-carbon economy. To this end, the European Commission is driving forward a package of measures to help improve the flow of money into sustainable activities across the EU. One of these measures is the Taxonomy Regulation, Regulation (EU) 2020/852, a classification system for sustainable economic activities that defines what is sustainable and what is not, based on objective criteria. It provides a common language for investors and businesses to channel investments into more sustainable technologies and businesses that have a significant positive impact on the climate and the environment, and to promote compliance with the EU's climate targets, the Paris Agreement and the UN Sustainable Development Goals.

In particular, it pursues the following environmental objectives:

- › **Mitigation of climate change:** an activity is considered to make a significant contribution to mitigating climate change if that activity makes a substantial contribution to stabilising greenhouse gas concentrations in the atmosphere.

- › **Climate change adaptation:** adaptation solutions that either significantly reduce the risk of adverse impacts of the current climate or provide for adaptation solutions that help avoid the risk of adverse impacts on people, nature or other assets.
- › **Sustainability and protection of water and marine resources:** contribution to the development of good status of waters, including surface waters and groundwater, or prevent their deterioration where they are already in a good condition.
- › **Transition to a circular economy:** more efficient use of natural resources, in particular sustainable bio-based materials and other raw materials, in production by increasing the durability and accountability of products.
- › **Pollution prevention and control:** by reducing emissions of pollutants into the atmosphere, improving air quality, eliminating waste, etc.
- › **Protection and restoration of biodiversity and ecosystems:** achieve favourable conservation status of natural and semi-natural habitats and species or prevent their deterioration where their conservation status is already favourable.

In 2021, the European Union published the Delegated Acts on climate change mitigation and adaptation and during 2022 this regulation was amended to accommodate gas and nuclear activities. Lastly, in 2023 the Delegated Acts for the remaining environmental targets were published, as well as modifications to some technical criteria and extension of activities for climate change mitigation and adaptation targets.

The Taxonomy establishes two types of activity:

- › **Eligibility:** an activity is eligible if it is one of the activities listed in the corresponding Delegated Acts.
- › **Alignment:** subset of eligible activities that are not only listed but also meet the criteria of a significant positive contribution to the climate criteria, do not cause significant negative harm to the other criteria and comply with social safeguards.

The regulation stipulates that three economic indicators must be reported: the percentage of eligible or adapted activities in the company's total turnover, CAPEX and OPEX.

- › The disclosure of the Taxonomy has been conducted in a rigorous and consistent manner to determine the company's level of contribution to the defined environmental objectives and, at the same time, to provide shareholders and investors with security in the face of greenwashing. The technical requirements for the classification of activities were set out in the Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 and its amendments in Delegated Regulation (EU) 2023/2485, Delegated Regulation (EU) 2022/1214 and Delegated Regulation (EU) 2023/2486, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and complies with the minimum social safeguards.

Scope of the report

All the companies that make up the consolidation scope of the Naturgy Group have been considered in the analysis carried out to establish the eligible activities under the criteria of the European Commission for the Taxonomy

Naturgy's activities fall within the energy sector. After analysing the contribution of the company's businesses to the six climate goals set out in the Delegated Regulation, it is concluded that the objectives that are material to the reporting of taxonomic activities are the climate goals. The annexes detailing the economic sectors and activities that contribute to climate change mitigation and adaptation objectives specifically include the energy sector and the taxonomic activities carried out by Naturgy.

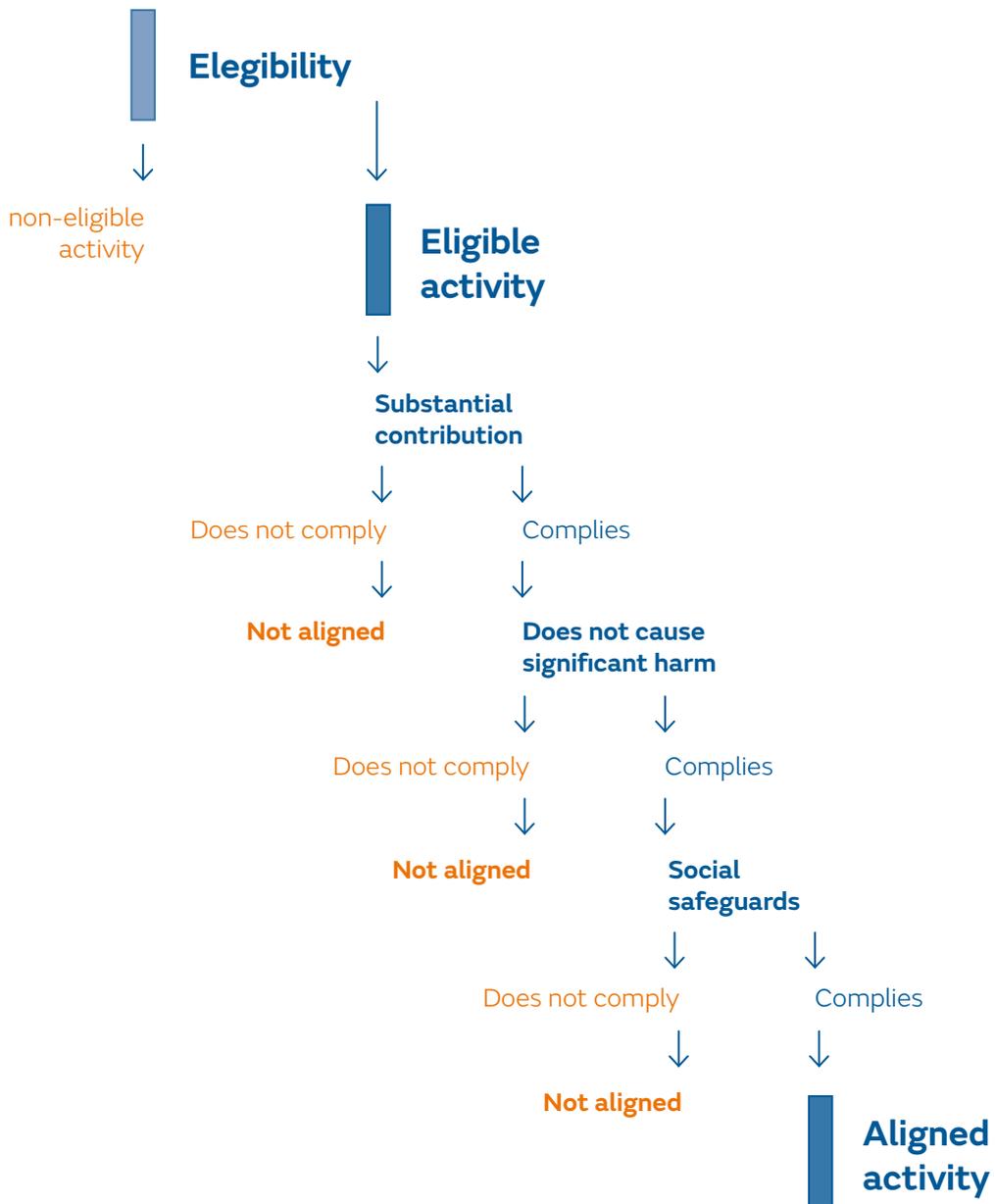
This is not the case for the other four environmental goals of the taxonomy (Protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems), for which the technical criteria are set out in Delegated Regulation 2023/2486. The respective annexes show that the energy sector is not specifically considered as an eligible activity for the fulfilment of any of the goals.

While none of the company's businesses are directly linked to the activities specified in the annexes related to non-climate goals, certain complementary or supporting operations carried out at the facilities, such as water treatment, waste management or environmental restoration, could be considered eligible. However, no analysis has been carried out to assess their compatibility with these goals, as they are not material to the company. As they are not business activities, they do not generate income and the turnover indicator is zero. On the other hand, the investments and operational expenditure corresponding to these complementary activities are included in the corresponding headings of the installations, without sufficient detail to allow them to be allocated to specific targets. For installations eligible for climate targets, these items have been considered in the corresponding indicators. This is not the case for complementary activities carried out in non-eligible facilities. For example, the treatment of urban wastewater for use as feedwater in several combined-cycle gas-fired power stations could be considered eligible for the circular economy transition target. However, these items are not individualised in the accounts, so it is not possible to assess the corresponding expenditure and investments as they are integrated in general items and the necessary evidence is not available.

The disclosure of the **Taxonomy** has been conducted in a rigorous and consistent manner to determine **the company's level of contribution to the defined environmental objectives** and, at the same time, **to provide shareholders and investors with security** in the face of greenwashing.

Analysis process

To carry out the analysis of the taxonomy, Naturgy has created a transversal work team made up of people from different units, both business and corporate areas, in accordance with the activities established in the Delegated Regulation (EU) 2020/852, establishing a methodology in accordance with the regulation and based on the following stages:



Eligibility

Naturgy's business activities included in Delegated Regulations 2021/2139 and its amendments and 2023/2486, which complete Regulation 2020/852, have been analysed.

Delegated Regulation 2021/2139 and its amendments set out the technical selection criteria for the climate goals (climate change mitigation and adaptation), while Delegated Regulation 2023/2486 sets out the criteria for the other four environmental goals (Protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity and ecosystems). These regulations consist of annexes for each environmental objective with indices by economic sector that include the different activities that can contribute to their fulfilment.

Naturgy's activities fall within the energy sector, specifically included in the mitigation and adaptation annexes and their modifications, which shows that climate goals are the most relevant for the company. The business lines of Naturgy and their correspondence with the eligible economic activities established in the annexes corresponding to the climate goals (mitigation and adaptation) are detailed below.

In the strategic area of Distribution Networks, we can find the following operating segments with activities that are considered within the European Union Taxonomy:

- **a. Electricity Spain:** includes the regulated electricity distribution business in Spain and corresponds to activity:
 - i. 4.9. Electricity transmission and distribution.
- **b. Electricity Panamá:** encompasses the regulated electricity distribution and commercialisation business in Panama and includes the activity:
 - i. 4.9. Electricity transmission and distribution.
- **c. Electricity Argentina:** encompasses the regulated electricity distribution and commercialisation business in Argentina and includes the activity:
 - i. 4.9. Electricity transmission and distribution.

Within the other strategic area, Energy Markets, are most of the activities included in the different Delegated Regulations and their corresponding amendments. Specifically, they can be found in the following operating segments:

- **a. Thermal generation in Spain:** which includes the conventional thermal generation plant in Spain:
 - i. 4.29. Electricity generation from fossil gaseous fuels.
- **b. Thermal generation GPG Latin America:** which includes the conventional thermal generation within the scope of Global Power Generation in Mexico and the Dominican Republic (Puerto Rico is integrated by the equity method):
 - i. 4.29. Electricity generation from fossil gaseous fuels.

› **c. Renewable generation:**

1. **Spain:** includes the management of the wind farm and generation projects for wind, mini-hydro, solar and co-generation ⁽²⁾ energy sources, also incorporating the generation of hydropower electricity located in Spain. In addition, it includes the development portfolio in the rest of Europe.
 - i. 4.1. Electricity generation using solar photovoltaic technology.
 - ii. 4.3 Electricity generation from wind power.
 - iii. 4.5 Electricity generation from hydropower.
 - iv. 4.30 High-efficiency co-generation of heat/cool and power from fossil gaseous fuels.
 2. **United States:** includes the management of photovoltaic generation projects being developed in the United States:
 - i. 4.1. Electricity generation using solar photovoltaic technology.
 3. **GPG Latinoamérica:** includes the management of renewable electricity generation facilities and projects of Global Power Generation (GPG) located in Latin America (Brazil, Chile, Costa Rica, Mexico and Panama):
 - i. 4.1. Electricity generation using solar photovoltaic technology.
 - ii. 4.3 Electricity generation from wind power.
 - iii. 4.5 Electricity generation from hydropower.
 4. **GPG Australia:** includes the management of GPG's renewable electricity generation facilities projects in Australia:
 - i. 4.1. Electricity generation using solar photovoltaic technology.
 - ii. 4.3 Electricity generation from wind power.
 - iii. 4.10 Storage of electricity.
- › **d. Renewable gases:** covers the management of renewable gas projects, specifically biomethane and green hydrogen, as well as sustainable mobility projects. These are incipient activities and, therefore, are currently of little materiality from an economic point of view, as shown in the tables below:
- i. 3.10 Manufacture of hydrogen.
 - ii. 5.6 Anaerobic digestion of sewage sludge.
 - iii. 5.7 Anaerobic digestion of biowaste.
 - iv. 5.10 . Landfill gas capture and utilisation.
 - v. 6.15 Infrastructure enabling low-carbon road transport and public transport.

⁽²⁾In Naturgy's Consolidated Report at 31 December 2023 and 2022, the co-generation activity is considered as part of the Renewable Generation Spain CGU because there is a single management unit that handles the co-generation operations and assets together with the wind, mini-hydro and solar generation businesses. Likewise, the remuneration of co-generation facilities, as is the case with wind and solar facilities in Spain, is subject to Royal Decree 413/2014, of 6 June, regulating the activity of electricity production from renewable energy sources, co-generation and waste.

- > **e. Commercialisation:** the goal is to manage the business model for end customers for gas, electricity and services, incorporating new technologies and services, as well as developing the full potential of the brand. Naturgy provides its residential and industrial customers with all the necessary services for the installation of photovoltaic panels that allow them to produce renewable energy for self-consumption, for example, through the Naturgysolar product or services necessary to have electric charging points for mobility powered by renewable energy. These projects correspond to the following activity:
 - i. 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings).
 - ii. 7.6. Installation, maintenance and repair of renewable energy technologies.

Alignment

Substantial contribution to a goal

Eligible activities have been screened to confirm whether they meet the technical criteria established to validate substantial contribution to climate change mitigation and adaptation goals. The most relevant criteria used are summarised below:

Climate change mitigation

- > **a. Renewable electricity generation:** For the activity of electricity generation from hydropower, the main criterion considered to validate that there is a substantial contribution to climate change mitigation is power density. The power densities have been calculated for each installation considering the net power value defined in the register of electricity production installations and the surface area of the reservoir. Most facilities met the criterion, for the rest whose power density is less than 5W/m², specific studies have been carried out to verify compliance with the life cycle GHG emissions threshold of less than 100 g CO₂e/kWh.
- > **b. Electricity grids:** the electricity transmission and distribution activity carried out in Spain meets the eligibility criterion for climate change mitigation as it is integrated in the interconnected European system. In the case of Panama and Argentina, the criteria of emissions thresholds of newly activated generation capacity in the system and average grid emissions factor have been considered.
- > **c. Electricity generation in combined-cycle power stations:** for the activity of electricity generation from fossil gaseous fuels, compliance with the lifecycle GHG emissions threshold has been analysed, as well as the rest of the complementary criteria in all facilities.
- > **d. Co-generation:** for the activity of high-efficiency co-generation of heat/cool and power from fossil gaseous fuels, the GHG emission threshold criteria have been analysed in all plants, as well as the rest of the complementary criteria.

Climate change adaptation

The analysis to confirm that the criterion of substantial contribution is met has been based on the result of the physical climate risk assessments and the adaptation solutions and plans implemented in the facilities where the risks were material. A quantitative analysis of risks by business and type of facility has been carried out for the different assets considering various climate scenarios. In facilities where there is a material level of risk, an evaluation has been conducted on the existing measures to ensure their compliance with various criteria, which include avoiding any adverse impact on other adaptation efforts or relevant stakeholders and maintaining compatibility with established strategies and plans.

Regarding adaptation measures, it is important to highlight that the facilities are specifically designed to function effectively even under extreme weather circumstances. They have protocols in place to respond to adverse weather conditions, integrating appropriate risk control measures. These guidelines are complemented by the emergency and self-protection plans of the facilities, which are periodically updated.

As explained below, the economic indicators corresponding to the climate adaptation objective have not been reported.

Do no significant harm to other goals

For activities that contribute to one of the climate goals, a thorough analysis has been carried out in order to assess the principle of Do No Significant Harm (DNSH) to other goals.

Some of the criteria used in the analysis are summarised below:

- › a. Climate change mitigation: GHG emissions from activities have been analysed.
- › b. Climate change adaptation: physical climate risk assessments and projected and implemented adaptation plans and solutions have been analysed for applicable activities.
- › c. Sustainable use and protection of water and marine resources: we have analysed the policies, procedures, specifications, action and management plans, authorisations, environmental impact assessments, environmental monitoring and applicable regulations according to the geography in which the activities are carried out, as well as the environmental certifications audited by an independent third party that accredit adequate performance.
- › d. Transition to a circular economy: policies, procedures, specifications, action plans and management of activities have been analysed, including the waste hierarchy approach and environmental certifications audited by independent third parties attesting to adequate performance.
- › e. Pollution prevention and control: the policies, procedures, specifications, action plans and management of pollution-related activities, environmental monitoring and applicable regulations have been analysed, as well as the environmental certifications audited by an independent third party that accredit adequate performance.
- › f. Protection and restoration of ecosystems: procedures, applicable national regulations, as well as environmental impact studies and authorisation processes have been analysed, verifying that the necessary mitigation and compensation measures are applied.

Social safeguards

To analyse compliance with social safeguards, the following company policies and procedures have been considered:

- › **Code of Ethics**, which establishes guidelines that must govern the ethical behaviour of Naturgy managers and employees in their daily work with regard to relationships and interactions with all its stakeholders. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance.
- › **Global Human Rights Policy has been considered**, which covers the entire perimeter of activities and compliance with the regulatory framework of the different countries in which the activities are carried out. Through its 10 commitments it considers respect for fundamental rights, including labour rights and the rights of local communities affected by the company's activities.

- › **Corporate Responsibility Policy**, which establishes Naturgy's commitments to sustainable development and to the different stakeholders, including the creation of quality employment, the strengthening of local communities and the reduction of social inequalities.
- › **Social Relationship Model**. Within the framework of its Global Human Rights Policy, the company makes a firm commitment to respect local communities. In order to achieve this commitment, key aspects are the assessment of the social impact that the company's activities may have on the affected communities and the contribution to the improvement of their living conditions. To this end, it has a Social Relationship Model (SRM) that seeks to integrate social management as a discipline throughout the life cycle of new renewable generation projects.
- › **Naturgy is firmly committed to people**, their development and the promotion of safe and healthy working environments. The "Commitment and Talent" chapter of this report presents a detailed analysis of the company's policies and actions in this regard.

After analysis, it is concluded that the requirements of the Delegated Act are met.

Calculation of the main indicators

Calculation of turnover %

The proportion of turnover referred to in Article 8(2)(a) of Regulation (EU) 2020/852 shall be calculated as the share of net turnover derived from products or services, including intangibles, associated with economic activities that align with the taxonomy (numerator), divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU.

Turnover shall include revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), adopted by Commission Regulation (EC) No. 1126/2008.

In the case of Naturgy, the numerator includes the sum of the turnover (Group 70 accounts from the General Accounting Plan) of the activities mentioned above that are eligible according to the Taxonomy. The denominator corresponds to the total balance of the Naturgy turnover.

For the calculation of the numerator data, the economic area teams of the different businesses have been asked to extract from the system the turnover data per facility for each of the activities. Once each installation has been analysed for the climate change mitigation and climate change adaptation goals, the amounts of those facilities that meet the technical criteria for each objective are aggregated separately.

In relation to the denominator, the Consolidation area provides the Consolidated Group data for the items mentioned in the Delegated Act.

Naturgy believes that the spirit of the Delegated Act on the EU 2020/852 Taxonomy is to provide companies with a tool for the promotion sustainable activities and investments. In this regard, as one of the benchmarks in renewable energy generation and vertically integrated energy sales, Naturgy is considered a key player in the promotion and development of sustainability and environmental protection.

Naturgy has estimated the indicators at consolidated group level in accordance with the provisions of Article 8 of the Taxonomy Regulation. However, to adequately reflect the spirit of the EU Taxonomy Regulation considering the vertical integration of its electricity activity, it has considered the need to adopt as a criterion in the preparation of the Turnover indicator the inclusion of sales of renewable electricity generated at its own facilities, which is not consumed by the company and is sold to third parties through marketers.

Based on the above, in the numerator of the turnover indicator of the table reported in this report, those sales of renewable electricity, generated and marketed “to end customers” through the Group’s commercialisation companies, whose production source is renewable, have been considered as eligible, as it is a vertically integrated activity.

In this regard, Naturgy has introduced the necessary control measures to ensure the correct application of the accounting principles of consolidation in the estimation of the indicators, in line with the indications proposed in the guidelines for interpretation and implementation of the Frequently Asked Questions (FAQs) published by the EU Commission Delegated Regulation (02/02/22 and 19/12/22) and the ESMA (26/02/21). Specifically in the case of the turnover indicator, i) the calculation has been made only with sales to third parties outside Naturgy (considering the premise of vertical integration discussed above); ii) it has avoided double counting of revenues in its estimate, iii) and has ensured that the analysis is based on Naturgy’s consolidated revenue data without the inclusion of internal consumption or other additional ineligible services.

Accordingly, the total reported sales are detailed in Note 3 Segment Reporting in the Notes to the 2023 Consolidated Annual Accounts.

Calculation of CAPEX %

The proportion of CAPEX referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; the denominator being the additions to tangible and intangible assets during the relevant financial year before depreciation, amortisation and any new valuations, including those resulting from revaluations and impairments, for the relevant financial year, excluding changes in fair value. The denominator will also include additions to tangible and intangible assets resulting from business combinations.

For non-financial companies applying International Financial Reporting Standards (IFRS) as adopted by Regulation (EC) No. 1126/2008, CAPEX will cover costs that are accounted for in accordance with:

- IAS 16 Property, plant and equipment, paragraph 73 (e) (i) and (iii);
- IAS 40 Investment Property, paragraph 76 (a) and (b) (for the fair value model);
- IAS 40 Investment Property, paragraph 79, (d), (i) and (ii), (for the cost model);
- IAS 41 Agriculture, paragraph 50 (b) and (e);
- IFRS 16 Leases, paragraph 53, (h).

For non-financial companies applying national generally accepted accounting principles (GAAP), CAPEX will integrate costs accounted for under applicable GAAP that correspond to costs included in capital expenditures by non-financial companies applying IFRS.

Leases that do not result in the recognition of a right to use the asset are not accounted for as CAPEX.

On the other hand, the numerator will be the portion of fixed asset investments included in the denominator which

- › is related to assets or processes that are associated with economic activities that align with the taxonomy;
- › is part of a plan to expand the economic activities that align with the taxonomy or to allow economic activities eligible under the taxonomy to conform to the taxonomy (“CAPEX plan”);

- › is related to the purchase of production from economic activities that align with the taxonomy and individual measures that enable the targeted activities to become low-carbon or lead to greenhouse gas reductions, in particular the activities listed in sections 7.3 to 7.6 of Annex I of the delegated act on climate, as well as other economic activities listed in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within eighteen months.

In the case of Naturgy, the denominator will be the total CAPEX, which includes investments in intangible assets, investments in property, plant and equipment, investments in rights-of-use assets, assets transferred without consideration and those additions to tangible and intangible assets resulting from business combinations. In relation to the numerator, it will only be the aggregation of the CAPEX and additions of assets resulting from business combinations of the activities considered as taxonomically eligible.

In order to obtain the amount of CAPEX in the numerator, the economic area teams of the different businesses were asked to extract the CAPEX data from the system for each facility in each of the activities. Similarly, the amount to be included for asset additions resulting from business combinations has been requested.

In relation to the denominator, the Consolidation area provides the Consolidated Group data for the items mentioned in the Delegated Act.

Calculation of OPEX %

The proportion of OPEX referred to in Article 8(2)(b) of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator; including the latter to direct non-capitalised costs related to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the daily maintenance of property, plant and equipment by the company or a third party to whom activities are outsourced and which are necessary to ensure the continued effective operation of such assets.

Additionally, non-financial companies that apply national GAAP and do not capitalise right-of-use assets will include leasing costs in OPEX.

On the other hand, the numerator will include the portion of operating expenses included in the denominator that:

- › is related to assets or processes associated with economic activities that align with the taxonomy, including training and other human resource adaptation needs, and direct non-capitalised costs representing research and development;
- › is part of the CAPEX plan to expand the economic activities that align with the taxonomy or to allow taxonomy-eligible economic activities to conform to the taxonomy within a predefined time frame, (18 months);
- › is related to the purchase of production from economic activities that align with the taxonomy and individual measures that enable the targeted activities to become low-carbon or lead to greenhouse gas reductions, as well as individual building renovation measures, as identified in delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852, and provided that those measures are implemented and operational within eighteen months.

In the case of Naturgy, the OPEX indicator only considers non-capitalised direct costs related to research and development, short-term leases and maintenance and repairs. Due to limitations in the identification within the OPEX concepts used in Naturgy's internal accounting, other direct expenses related to the daily maintenance of tangible fixed assets, by the company or a third party to whom activities are subcontracted, and which are necessary to guarantee the continued and efficient operation of such assets, have been left out of the indicator. Thus, the denominator will include the expenditure of these three total Naturgy OPEX items, while the numerator will be made up of the same items, but only for the activities recognised as eligible.

In order to obtain the amount of OPEX in the numerator, the economic area teams of the different businesses were asked to extract the OPEX data from the system (only the accounts mentioned above) for each facility for each of the activities. This extraction has been carried out on the basis of the consolidated view of the accounts

In relation to the denominator, the Consolidation area provides the Consolidated Group data for the items mentioned in the Delegated Act.

Criteria considered in the calculations

In order to avoid double counting, all system extractions are made with the consolidated information of the corresponding items.

The economic indicators for the climate adaptation objective have not been reported because the investments made to reduce exposure to climate-related physical risks (CAPEX) were made in previous years, as they were defined in most cases at the design stage. In relation to OPEX, the items corresponding to the operation of these measures are integrated into the maintenance items of the facilities, without there being sufficient granularity to provide individualised data with the necessary rigour. In any case, their contribution to the taxonomy is taken into account, since all eligible and aligned activities for the climate adaptation objective are also eligible for the climate change mitigation objective and the corresponding economic indicators are reported in this objective.

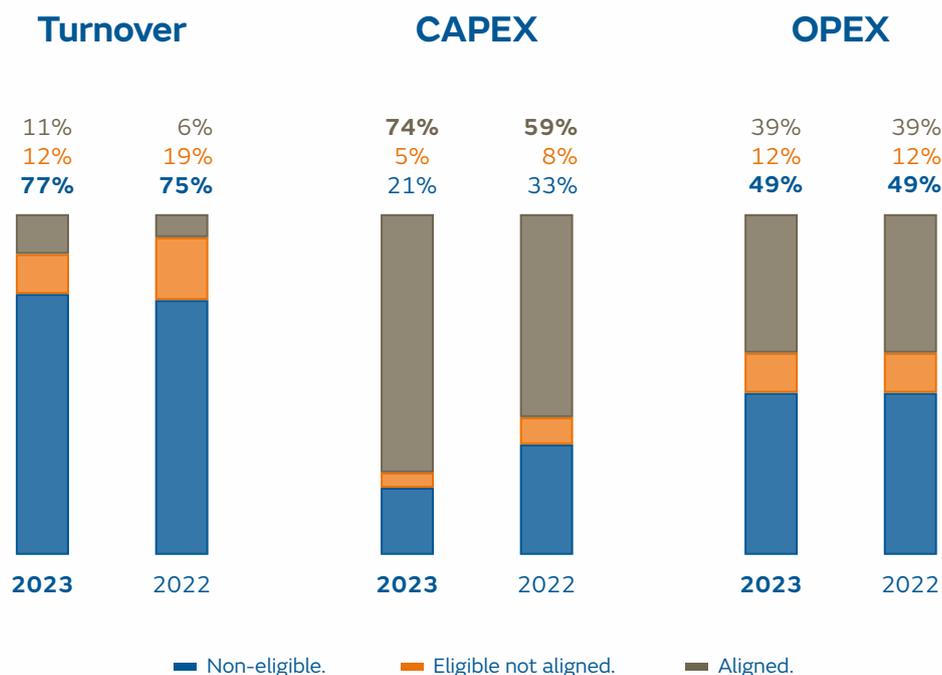
In relation to activity 4.10. Storage of electricity, it must be considered that it is a storage system linked to the Berrybank wind farm located in Australia. As they are managed jointly, it was not possible to obtain sufficient granularity to differentiate the specific economic indicators of this plant. They are included in the indicators for the wind farm given in activity 4.3 Generation of electricity from wind power.

Results

The proportion of eligible and ineligible activities according to the European Taxonomy is shown below. The results have shown different degrees of eligibility according to the indicator.

The turnover indicator shows 23% eligibility, the OPEX indicator rises to 51% eligibility and the CAPEX indicator reaches 79% eligibility. The result obtained for CAPEX demonstrates the solvency of a sustainable business model and the creation of long-term value in favour of the planet and people.

Compared to last year, the percentage of CAPEX eligibility increased by 12%, due to the greater investment effort in renewables and considering the acquisition of ASR Wind's assets in 2023. Turnover and OPEX remained stable at around 23% and 51% respectively. In terms of alignment, we observe an improvement in Turnover and CAPEX (5% and 15% respectively), while OPEX remained stable.



In the “Annexes” chapter, reporting tables are included as required by the Taxonomy Delegated Act, as well as those templates required by Delegated Regulation 2022/1214 covering nuclear and gas activities. In them, we can see that after analysis of the environmental criteria, twelve of the fourteen eligible activities are 100% aligned with the EU Taxonomy (substantial contribution, do no significant harm to the other environmental objectives and compliance with the minimum safeguards). The exemptions are electricity generation from nuclear energy in existing installations and electricity generation high-efficiency co-generation of heat/cool and power from fossil gaseous fuels, all of which do not meet the substantial contribution criteria of Delegated Act (EU) 2022/1214 due to the required level of emissions per energy unit produced and because no technological improvements able to reduce said ratio are foreseen.

Stakeholders of Naturgy

Naturgy has been systematically including the vision of stakeholders in its decision-making, by establishing two-way relationship and dissemination channels.

Creating **relationships of trust based on transparency and the creation of shared value** is key to the development of competitive advantages for Naturgy and to contributing to the development of the communities in which it operates.



3.

Stakeholders of Naturgy

1. Relationship management.
2. Stakeholder dialogue actions.
3. Presence in trade associations.
4. Reputation and perception.
5. Indices and acknowledgements.

Naturgy's contribution to the SDG



In recent years, the regulator has focused attention on the need to openly incorporate stakeholder concerns into decision-making. Accordingly, both at European and national level, in the private sector, it has defined multiple recommendations and requirements for the governing bodies of companies, and especially their boards of directors, to take into account the opinion of all stakeholders when determining corporate strategy and supervising their operation, especially in relation to material issues that affect sustainability.

As part of its sustainability management, Naturgy has been systematically including the vision of stakeholders in its decision-making, by establishing two-way relationship and dissemination channels. Creating relationships of trust based on transparency and the creation of shared value is key to the development of competitive advantages for Naturgy and to contributing to the development of the communities in which it operates. Stakeholder relationship management is therefore both a source of opportunities and a trigger of risks for the company.

Accordingly, for the preparation of this Sustainability Report and Statement of Non-Financial Information, Naturgy has taken into account the expectations of its stakeholders and has integrated the results of their participation into its materiality analysis, as stated in chapter “About this report”.

Highlights of the year

- › Participation in the annual meeting of the World Economic Forum as a member of the Alliance of CEO Climate Leaders.
- › Participation in the 28th Conference of the Parties on Climate Change (COP28) held in Dubai (United Arab Emirates).
- › Naturgy continues to be the reputational leader in its sector, with a value of 62 points (out of a scale of 100), according to the RepTrak Pulse index.
- › Ecovadis, a global provider of corporate sustainability ratings, awarded Naturgy the gold medal for its performance in environmental, social and governance issues.

1. Relationship management

Governance

Stakeholder management is functionally dependent on Naturgy's Sustainability, Reputation and Institutional Relations Department, reporting directly to the company's chief executive. The functioning of these relationship and disclosure channels, and the results of the consultations and comments received from stakeholders are regularly reported to the Sustainability Committee and the Board of Directors.

During 2023, Naturgy's Directors have been informed about aspects such as employee and customer satisfaction levels, indicators of the level of attraction and commitment of employees, the perception of stakeholders in social and professional networks, consultations and communications received through corporate channels (especially the Code of Ethics), the results of the dialogue processes with shareholders and investors, or the results of the relationship processes with local stakeholders at project level, as well as the other indicators included in this chapter. This means that the Board of Directors has been able to ensure that the opinion of stakeholders is adequately reflected in Naturgy's commitments, strategies and management systems.

Management framework

Naturgy aspires to build trusting, stable, solid and mutually beneficial relationships with its stakeholders, engaging them and also allowing the company to address the impacts and risks that its activity poses to them. This commitment is embodied in the Corporate Responsibility Policy, which establishes for the entire Group the common framework for action that guides the company's socially responsible behaviour and includes the company's commitments to its different stakeholders and assumes the obligation to establish channels of dialogue.

Periodically, Naturgy reviews the identification and prioritisation of the company's main stakeholders. As a result of this exercise, Naturgy has currently defined the following priority stakeholders, for whom it develops different relationship activities through communication and dissemination channels adapted to their characteristics and needs.

- › Shareholders and investors.
- › Communities affected.
- › Customers and related groups.
- › Employees.
- › Suppliers.
- › Society.
- › Associative entities.
- › Business partners.
- › Analysts.
- › Market agents.
- › Public administration.
- › Regulatory bodies.
- › Financing groups.
- › Insurance and reinsurance agencies.

2. Stakeholder dialogue actions

Dialogue with shareholders and investors

Naturgy has several of its own communication channels to offer the best service to all its stakeholders. Shareholders have at their disposal the corporate website with all the specialised financial information and also the shareholder office, which is the meeting and service point for non-controlling interests.

For its part, Naturgy continues to make available to analysts and investors the economic, financial and sustainability information that allows them to monitor the Group's business project. Along this line, during 2023 representatives of the company's management team and the Rating and Capital Market Department held 153 meetings with analysts and institutional investors. Despite the necessary caution in communicating with the markets following the launch of the Gemini project in February 2022, the number of interactions with analysts and investors in 2023 was slightly higher than in the previous year, as shown in the table below:

Communication channel indicators

	2023	2022
Meetings with shareholders and analysts	153	140

It should be noted that, since 2012, Naturgy has been holding meetings with investors focused on assessing the Group's ESG policies. Throughout 2023, Naturgy has continued with this activity, participating in meetings and engagement processes with several investors, including Santander, BNP Paribas, PGGM, Amundi and Axa IM.

Dialogue with affected communities

Within the framework of its Human Rights Policy, the company makes a firm commitment to respect local communities. In order to achieve this commitment, key aspects are the assessment of the social impact that the company's activities may have on the affected communities and the contribution to the improvement of their living conditions.

To this end, the company has a Social Relationship Model (SRM) that seeks to integrate social management as a discipline throughout the life cycle of generation projects. The SRM is based on four fundamental operating principles:

- › We are one with the territory: we recognise, respect and protect local values and idiosyncrasy.
- › We communicate as equals: we encourage early and transparent communication and open channels of active listening and easy access, as a first step towards empowering communities.
- › We generate shared value: together with the community, we promote actions that improve the quality of life in our environment.
- › We offer opportunities: we are a driving force for development in the territory, and a driver for supporting local employment and training in the sector.

This model has the following characteristics and modes of operation:

- › It is an iterative process that relies on the application of methodological tools focused on communication, dialogue, active listening and rootedness in the territory.
- › Its aim is to create shared value and manage social contestation appropriately.
- › It establishes basic mandatory minimums for all projects.
- › It can be extrapolated to every geography and project.
- › It must be applied continuously in all phases of a project (opportunity/development/construction/operation/change or cessation of activity).



- › It must have a Social Relations Plan with social impact actions/measures and allocated personnel and financial resources.

Implementation at local and/or regional level takes place through the following stages:

- › Determination of the area of influence and social impact: analysis of the social impacts that the activity may have on the communities.
- › Stakeholder mapping and classification: identifying communities affected by the company's activity, and finding out their needs and aspirations.
- › Analysis of social risks and opportunities to support the design of shared value propositions that can be included in business planning.
- › Social Relations Plan (SRP): design and implementation of actions with a positive social impact, based on the opportunities identified in the dialogue with the communities.
- › Social impact assessment of the SRP: monitoring, impact measurement, reporting and improvement.

During 2023, work has been carried out on the implementation of the SRM in several territories in Spain, specifically in the Canary Islands, Andalusia, Extremadura, Castilla La Mancha, Castilla y León and Galicia, and the model has continued to be implemented in the rest of the countries where the company has generation projects under development.

The actions carried out have been focused on education and awareness-raising among different audiences, the promotion of training actions to boost local employment, and the adoption of agreements and alliances with various local groups.

All the initiatives undertaken are detailed in the section on Community Relations in chapter “Social responsibility” of this report.

Dialogue with customers and related groups

Consultation actions	Frequency
Development of focus groups with customers to collect opinions and opportunities for improvement.	Ongoing
Panel on customer satisfaction with service in the energy sector.	Monthly
Brand valuation tracking in the energy sector.	Monthly
Customer service quality surveys after contact with the company.	Ongoing
Surveys of reasons for abandonment (of energy and services).	Ongoing
Concept, price and product testing between customers in different markets.	Occasional
Co-creation with specialists and consumers.	Occasional
Active participation in forums related to energy vulnerability.	Ongoing
Meetings with installer associations.	Periodic
Proactive digital communications to customers and installers about progress in gas registration status. Both parties have visibility on milestones reached and next steps and become active subjects that contribute to shortening time frames.	Occasional
Development of focus groups - dynamics with contact centre agents/coordinators and back offices to gather feedback on main reasons for customer contact, management and process/operational pain points, and opportunities for improvement	Ongoing
Dynamics of listening to internal customer contacts (voice, mail, digital) to identify opportunities for improvement in processes, operations, training, etc.	Ongoing
Informative actions	
Regular meetings with public administrations (social services, energy poverty committees, etc.) and working groups with the administration	Ongoing
Regular meetings with officials and consumer protection agencies.	Ongoing
Webinars with installers and associations to publicise the new services and features available on the website.	Occasional
Sending of informative contents about the new functionalities and services offered on the website, as well as advice and news of interest.	Periodic
Sending communications about the registration and contracting processes to improve the new customer's joining experience.	Occasional
Sending informative content about agreements with third party companies that offer advantages and benefits to customers	Occasional
Media campaigns to publicise energy offers and energy efficiency.	Occasional

Dialogue with employees

Consultation actions	Frequency
Meetings with Executives	Periodic
Virtual meetings between teams	Ongoing
Measuring NPS promoter employees	Quarterly
Work environment survey	Monthly
Employee Satisfaction Survey (Happiness Index)	Daily
Incident and occupational accident reporting	Periodic
Informative actions	
Information in corporate communication channels	Ongoing
Direct informative e-mail to each employee	Periodic
Specific space on the Strategic Plan 21-25	Periodic

Dialogue with suppliers

Consultation actions	Frequency
Channel for complaints and queries on the Supplier Code of Ethics	Ongoing
Audits of ESG and audits on the approval of activities	Periodic
Development of action plans derived from performance assessments	Periodic
Relationship with strategic suppliers in order to strengthen partnerships	Ongoing
Survey on Naturgy's image and reputation (Brazil)	Occasional
Informative actions	
Supplier portal and supplier channel	Ongoing
Specific communication on new requirements for carbon footprint measurement at suppliers	Occasional
Communication and webinar for suppliers invited to participate in CDP Supply Chain	Occasional
Supplier development through Extended Academy training delivery	Ongoing
Training for SME suppliers through the promotion of the sustainable supplier training programme led by the Spanish Global Compact Network	Periodic
Communication on Business Courtesies Policy (Brazil)	Ongoing

Dialogue with society

Informative actions	Frequency
Energy Perspectives: a series of conversations that brings together figures recognised internationally for their experience, vision and knowledge of the energy sector and entrepreneurs, regulators, managers and academics	Periodic
Foundation publications on various subjects	Ongoing
Participation in forums and round tables related to the energy sector in general and ESG issues in particular, both in business and academic environments	Ongoing
Participation as a leading company in the Social Impact, Climate Change, Circular Economy and Biodiversity clusters, all spearheaded by Forética. Forums aimed at integrating ESG aspects into corporate sustainability strategies	Ongoing
Ojo al vatio (Keep an eye on the wattage) campaign, which aims to promote habits among citizens to reduce energy consumption, raise awareness of the importance of saving energy, and make key concepts linked to the field of energy more accessible and intelligible. In order to achieve the maximum dissemination and impact of these messages in society, the campaign has been broadcast on major media: television, radio, outdoor and digital. In addition, an alliance has been created with Mediaset España to raise awareness among the audience about energy saving with sections in the company's own production programmes with tips and key data on responsible consumption.	Occasional

During 2023, work has been carried out on the **implementation of the SRM in several territories in Spain** and the model has continued to be implemented in the rest of the countries where the company has generation projects under development.

Environmental communication and awareness: dialogue with stakeholders

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

The activities developed in 2023 included the following:

- › Participation in collaborative initiatives to improve the environment, including:
 - Industry, Energy and Environment Commission of the Confederation of Employers and Industries of Spain (CEOE).
 - CEOE Corporate Social Responsibility Committee.
 - Communication and Sustainability Commission of the Spanish Chamber of Commerce.
 - Circular Economy Commission of the Spanish Chamber of Commerce.
 - Forética's Business Council for Sustainable Development.
 - Forética's Climate Change, Circular Economy, and Biodiversity clusters.
- › Inclusion in pacts and initiatives for the environment:
 - Pact for Biodiversity and Natural Capital, within the framework of the Spanish Business and Biodiversity Initiative (IEEB), promoted by the Biodiversity Foundation of the Spanish Ministry for Ecological Transition and the Demographic Challenge.
 - Pact for a Circular Economy of the Ministry for the Ecological Transition and the Demographic Challenge of Spain.
- › Participation in congresses, round tables and media publications disseminating experiences and knowledge in the fields of climate change, energy transition, just transition, the circular economy and biodiversity. It is worth highlighting the participation in the COP28 in different debates and round tables.
- › Outreach actions in the academic world, participating in various training activities and showing our facilities to students in higher education programmes.
- › Organisation of webinars for internal and external dissemination on environmental issues.
- › Customers can access information to encourage energy saving and efficiency measures on the website.

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

The Naturgy Foundation has also carried out numerous initiatives to disseminate, train, inform and raise awareness in society on energy and environmental issues. For example, we collaborate with public administrations, universities, conservation associations, other companies in the sector and various entities in protection initiatives, as well as in the creation and dissemination of technical knowledge to improve the protection of biodiversity and the development of natural capital.

It should be noted that, to ensure effective communication with external stakeholders, a number of formal grievance mechanisms are in place within the company. There is great value in receiving environmental complaints in an orderly way, as it provides an opportunity to improve environmental management. During 2023, there were 1,309 complaints or claims in environmental matters, of which 1,180 were resolved during the year with no relevant required actions, the rest being in the process of resolution.

3. Presence in trade associations

The enormous challenge of the energy transition cannot be tackled unilaterally; involving other players, such as business associations, is a relevant element in achieving the company's targets.

Under this premise, Naturgy prioritises participation in initiatives that support the company's values and purpose in general, and that defend positions consistent with the Paris Agreement in particular.

The company participates in entities and initiatives of different nature, whether industrial or sectoral associations, business associations not exclusive to the energy sector, associations focused on sustainability and environmental issues, chambers of commerce, think tanks, professional associations focused on technical aspects, and foundations and associations that promote culture and knowledge.

Since 2019, Naturgy has had an Institutional Relations policy which, among other matters, regulates its presence in these kind of entities and associations.

At the end of 2023 Naturgy was involved in more than 216 major partnerships in 13 countries, with an investment of Euros 2,852,881 per year. It is also worth mentioning that Naturgy makes no political contributions in coherence with the provisions of action principle 9 of the Group's Code of Ethics.

Given the volume of partnerships and the company's firm commitment to being a key player in the energy transition and working to contribute to promoting a circular and decarbonised economy model, and in line with the objectives of the Paris Agreement, Naturgy assesses the degree of alignment with this positioning of the associations in which it participates.

Of the total number of partnerships, Naturgy has excluded from this analysis those which, due to the nature of the activity carried out (for example, those entities of a technical nature not related to activities with an impact on the climate), have not been considered to have a relevant position in relation to climate change.

Under this premise, priority has been given to entities linked to the energy and business sector; directly involved in positioning activities and public influence and with a global, European or national scope of action, excluding those at a local level.

After applying these criteria, 20 partnerships have been identified for which the positions and degree of alignment in relation to climate change and the Paris Agreement have been analysed. These entities are the following:

- › **International scope:** Groupe International des Importateurs du Gas Naturel Liquéfié (GIIGNL) and International Gas Union (IGU).
- › **European scope:** Eurogas, European Biogas Association (EBA) and Gas Distributors for Sustainability (GD4S)
- › **Argentina:** Instituto Argentino del Petróleo y el Gas (IAGP).
- › **Brazil:** Instituto Brasileiro de Petróleo, Gás e Biocombustíveis (IBP).
- › **Spain:** Sedigas-Asociación Española del Gas, Asociación Empresarial Eólica, Unión Española Fotovoltaica (UNEF), Asociación Española de Gas Natural para la Movilidad (GASNAM), Asociación Empresarial para el Desarrollo del Vehículo Eléctrico (AEDIVE), Sociedad Nuclear Española, Cámara de Comercio de España, Confederación Española de Empresarios (CEOE), Círculo de Empresarios, Asociación Española del hidrógeno and Asociación Española de baterías y de almacenamiento energético.
- › **Mexico:** Asociación Mexicana de Energía Eólica and Asociación Mexicana de Energía Solar.

Assessment of the degree of alignment with the Paris Agreement

The assessment of the degree of alignment of the 20 priority partnerships with regard to climate change positioning has been carried out internally, taking as a reference, among others, the requirements of sustainability indices and analysts, the best practices of other companies in the sector and the assessment carried out by the organisation InfluenceMap.

To carry out the assessment, the team has qualitatively analysed the public information available on the associations' websites. The objective has been to identify in the statements and public documents of the entities, coherent and aligned references to Naturgy's commitments in relation to climate change and the Paris Agreement. After a preliminary assessment, the findings were discussed internally; adjustments were made as necessary in each case.

The criteria used to assess the degree of alignment were mainly the following:

- › Explicit commitment to the objectives of the Paris Agreement.
- › Support for EU climate policy.
- › The role of natural gas as a transition energy.
- › Support for renewable energies and gases.
- › Specific mentions on other issues such as climate neutrality, carbon pricing, etc.
- › Overall assessment of the construction and coherence of the public discourse around the above elements.

To facilitate the assessment, a qualitative scale has been established according to the following criteria:

- › **Category A:** the entity formalises and/or demonstrates alignment through its own statements or through membership of other entities that do have a clear commitment.
- › **Category B:** no clear formalisation, but evidence of support and/or commitment is identified.
- › **Category C:** little mention of specific climate change issues, although they show general support for initiatives such as the 2030 agenda and SDGs.
- › **Category D:** position contrary to and not aligned with that of Naturgy.

The task force has considered that, although some national-level entities do not have specific public statements regarding their climate positions, these associations are active members of their European or international counterparts that do have clear and transparent positions in this regard, and are therefore considered to be fully aligned entities.

The result of the analysis determined the following:



Category A

15 associations



Category B

2 associations



Category C

3 associations



Category D

0 associations

The analysis carried out allows us to conclude that the priority partnerships for Naturgy are, for the most part, fully aligned with the company's positions in relation to climate change and energy transition.

No entity has been identified with positions contrary to Naturgy's principles.

Of the 20 entities analysed, 15 of them are considered to be fully aligned with Naturgy's commitments in relation to climate change and the Paris Agreement.

In two of the cases, a lower level of alignment is identified, which is mainly explained by a lack of clear formalisation, i.e. elements are identified within the public information that suggest that there is consistency with Naturgy's principles, but no evidence is identified in the form of documents, policies, positions, etc., where the position on the issues analysed is clearly stated.

In three other cases, explicit positions and statements of support for the 2030 agenda and the achievement of the Sustainable Development Goals are identified, although they do not go into depth or detail with regard to the climate issue. In these cases, there is a formal commitment, albeit not the formal commitment that has been the focus of this analysis. Therefore, these associations are classified in the third group

For the associations assessed in group A, Naturgy:

- › Will continue to participate in these associations and maintain membership.
- › Will work with these entities on climate-related policies that support the goals of the Paris Agreement and will even reinforce its engagement with these partnerships to further strengthen their impact.
- › Will continue to assess their alignment with Naturgy's climate positions.

For the associations assessed in groups B and C, Naturgy:

- › Will continue to participate in these associations and maintain membership.
- › Will work with these entities to strengthen their commitments and make them more explicit and formalised.
- › Will continue to assess their alignment with Naturgy's climate positions and the progress made in publicly communicating their positions.

For the associations assessed in group D, Naturgy:

- › Will work with these entities to change their positions and have explicit and formalised commitments aligned with the Paris Agreement.
- › Will continue to assess their alignment with Naturgy's climate positions and the progress made in publicly communicating their positions.
- › Will revoke the membership of these entities if they have not changed their position in the medium term.

The company understands this exercise as a continuous work to be deepened. This is why, based on the conclusions of this exercise, Naturgy proposes:

- › To deepen the assessment methodology and analyse the appropriateness of combining the assessment of public information with the collection of information directly from the entities.
- › To reinforce the due diligence process of the company's counterparties, incorporating tools that allow us to know the positions in this area of the new entities in which Naturgy wants to participate.
- › To influence those entities that demonstrate a lower level of formalisation, so that they improve public information and thus ensure full alignment with Naturgy's commitments.

The analysis and conclusions described above are based on an assessment of the information published on the websites of the associations mentioned above.

4. Reputation and perception

Reputation is an indicator that Naturgy has incorporated into its process of measuring society's perception of the company's activity in general. The indicator comprises four concepts which are: esteem, admiration, good impression and trust (Reprtrak Pulse Model).

In this regard, Naturgy continues to be the reputational leader in its sector, with a value of 62 points in the last quarter of 2023 (on a scale of 100). This result places it above the other energy companies in Spain. At a rational level, Naturgy maintains important advantages over its competitors in the categories of Offer and Conduct, driven by the satisfaction of needs, ethical behaviour and transparency.

Likewise, the Naturgy brand has achieved in 2023, according to studies carried out by GFK, its best results in both suggested (86%) and spontaneous (49%) awareness and in top mind (13%). With this, Naturgy is consolidated as the third energy brand in the minds of consumers in all indicators, and is the brand that has grown the most comparing the last quarters of the year 2022 and 2023. Naturgy stands out for its commercial offer and customer service and for promoting renewable energies.

With regard to brand value, in the latest study of the most valuable Spanish brands by BrandZ published in January 2024, Naturgy is in 7th position, with a brand value of US Dollars 4,762 million, growing by 2% compared to its value in the 2023 report.

Naturgy's presence on social networks. improved in all its key indicators and grew by 33% in the number of followers of its official profiles, accumulating a total of 410,000 fans. And, specifically in Tik Tok, Naturgy is the second energy brand with the highest number of followers.

In this regard, **Naturgy continues to be the reputational leader in its sector**, with a value of 62 points in the last quarter of 2023 (on a scale of 100).

5. Indices and acknowledgements

Presence in sustainability indices

Various analysts and rating agencies regularly assess Naturgy’s performance in environmental, social and good governance matters.

The result of these assessments places the company in the following benchmark positions:

- › FTSE4GOOD Index, a member since its inception in 2001.
- › S&P Global, places the company among the top 10% in the ‘Sustainability Yearbook 2024’ based on the agency’s 2023 sustainability assessment.
- › CDP, Naturgy has been recognised in global leadership positions (A-) for its action on climate change and water management.
- › The MSCI ESG Ratings, gives it the highest rating (AAA) .
- › Sustainalytics, in which it was given a medium risk profile compared to the 706 utilities assessed.
- › ISS ESG, in which it remains in the top 10% of companies in the sector.
- › Moody’s ESG solution gives a score of 60 out of a maximum of 100, which places Naturgy in an advanced performance category.
- › Euronext Vigeo, where Naturgy is part of the Euro 120 variant.
- › Ecovadis, a global provider of corporate sustainability ratings, awarded Naturgy the gold medal for its performance in environmental, social and governance issues.

The presence of Naturgy on these sustainability indices, as well as the analysts’ and rating agencies positive assessment endorses the efforts made by the company in areas of corporate responsibility and transparent reporting, and represents external recognition of its excellent evolution in these fields.



⁽³⁾In 2024, Naturgy has been removed as a constituent from various MSCI indices. The exclusion is based on Naturgy’s free float market value, which fallen below the minimum thresholds for MSCI inclusion criteria.

Acknowledgements

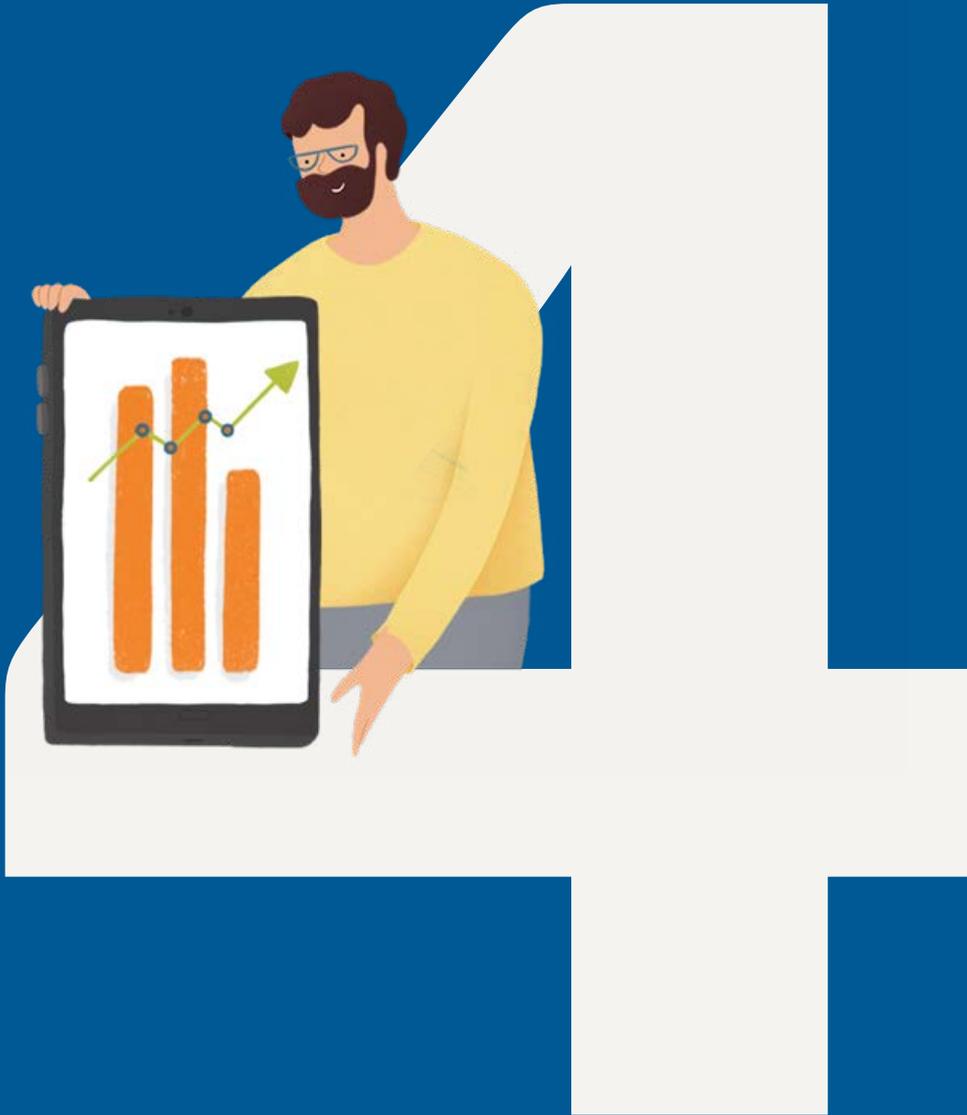
In 2023, Naturgy's work and team were recognised with various awards and accolades:

- › Francisco Reynés received recognition for his professional career at the Tu Economía awards, granted by La Razón.
- › Jordi García Tabernero, head of Sustainability, Reputation and Institutional Relations was recognised with the Forbes Best Dircom 2023 Award.
- › Award for the company with the best external PR communication.
- › The 'One Click to the Sun' campaign was recognised with six awards at the OOH Lovers Awards, organised by the Association of Communication Companies.
- › Naturgy's customer service was recognised for the second consecutive year with the award for Best Energy Experience at the Platinum Contact Center Awards.
- › Naturgy was awarded the Top Wellbeing Company certificate in recognition of its health and well-being strategy, programmes and indices.
- › Nedgia, the group's gas distributor in Spain, was honoured at the XIV Edition of the Cegos Awards with Equipos&Talento for Best Practices, for its refocusing of the Visible Commitment to Health and Safety in the category 'Strategy and Transformation'.
- › The Flex&Lead programme was recognised as the 'Best talent initiative in the energy sector' at the 2nd edition of the El Periódico de la Energía Awards.
- › At the 2023 edition of the Intrama Awards, the 'Wellbeing Leadership' healthy leadership programme, driven by the Corporate University and the company's Health and Prevention team, won first place in the Top Wellbeing Business Plan category.
- › Naturgy's drive for innovation was recognised at the second edition of the Top Insiders Awards, organised by Business Insider, with the Smart Business Innovation award.
- › The Forbes Innovation Award went to UFD, the Group's electricity distributor in Spain, for its Fire Detection solution, a system that applies Artificial Intelligence and the Internet of Things (IoT) to protect large forest stands from fire, using electricity pylons and power lines as a lookout point.
- › Naturgy was recognised with three awards at the 11th edition of the enerTIC Awards: the 'Support for Entrepreneurship and Start-up Ecosystem' award, the 'Smart Grid' award and the 'Sustainable Infrastructures' award.

Integrity and trust

One of Naturgy's guiding principles is to be **a company where integrity and trust** are the foundations on which **the business model is based**.

To this end, the company has various policies, procedures and governing bodies that enable it to aspire to be responsible, transparent and committed to all its stakeholders.



4.

Integrity and trust

1. Integrity and trust in 2023 at Naturgy.
2. Compliance.
3. Corporate governance.
4. Risk management.
5. Security and privacy.
6. Integrated and responsible management.
7. Supply chain.

Naturgy's contribution to the SDG



One of Naturgy's guiding principles is to be a company where integrity and trust are the foundations on which the business model is based. To this end, the company has various policies, procedures and governing bodies that enable it to aspire to be responsible, transparent and committed to all its stakeholders (employees, suppliers, customers, and people in its working environment, among others).

In order to adequately manage risk, Naturgy has a set of rules, the cornerstone of which is the Code of Ethics, which is developed and supplemented by a set of policies that govern the conduct and management of the company by its directors, employees and suppliers. In addition to internal regulations, Naturgy has a number of safeguards in place, such as internal audits and a reporting channel.

The corporate governance of Naturgy is governed, in addition to integrity and trust, by the principles of efficiency and transparency in each of its actions, as established by the main recommendations and existing national and international standards. A well-developed human rights protection policy, the exercise of proper taxation, and the anti-fraud plans in place in the company are some examples of the measures developed to ensure these principles.

The Board of Directors is responsible for ensuring the good governance of the company. The Board, through its various committees, is responsible, inter alia, for overseeing the company's risk analysis, including environmental, social and ethical issues. In this regard, Naturgy's Risk Management Model seeks to ensure predictability of the company's performance in all relevant aspects for its stakeholders.

Among the emerging risks resulting from increased digitalisation, information integrity becomes more important due to the increase of threats and risks related to information systems. This is why cybersecurity is becoming more important and Naturgy has a governance model in this area for the entire organisation.

Moreover, with digitalisation, ensuring privacy and data protection is also an important issue. Naturgy complies with the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, as well as with all regulations related to this matter in Spanish legislation.

Naturgy, aware that the risk in relation to the integrity of the company goes far beyond its operations, has a policy for managing its supply chain, as inadequate performance by its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption could damage the integrity of the company. Naturgy has systems in place to analyse and select suppliers, ensuring that the supply chain adheres to the principles set forth in the company's Code of Ethics through the Supplier Code of Ethics, in order to minimise these risks and ensure effective management.

1. Integrity and trust in 2023 at Naturgy

Evolution and results

Integrity and transparency

	2023	2022
Communications received by the Ethics and Compliance Committee	109	61
No. of notifications received per 200 employees	2.3	1.2
Average time for resolving notifications (days)	94	78
Audit projects analysed on the basis of the risk of fraud	77	89
Notifications received in the area of human rights	0	0
Number of persons trained on the Human Rights Policy ⁽¹⁾	7,595	7,205

⁽¹⁾ Cumulative data, since 2011, when training in this area began. 390 persons trained on the Human Rights Policy in 2023.

The variation in the number of communications received by the Ethics and Compliance Committee is mainly due to improved control and reporting procedures and increased awareness in the use of the reporting system. As for the average time taken to resolve complaints, although the average time taken to resolve complaints increased occasionally in 2023, the company is actively working to reduce it.

Code of Ethics notifications

	2023	2022
Queries	29	18
Notifications	80	43
Total	109	61

Code of Ethics chapter to which complaints refer

	2023	2022
Respect for the individual	25	16
Corruption and bribery	34	12
Loyalty to the company and conflict of interest	3	1
Occupational health and safety	1	4
Environment and protection of assets	4	1
Other	13	9
Total	80	43

NB: further information can be found in the Reporting channel section of this chapter.

Responsible supply chain management

	2023	2022
Total number of suppliers	5,678	5,951
Total purchase volume awarded ^{(1) (2)} (million euro)	2,802	2,643
Assessment of ESG suppliers ⁽³⁾ (number)	5,837	6,065
Number of critical suppliers	1,422	1,241
Official-approval suspended suppliers (number)	0	1

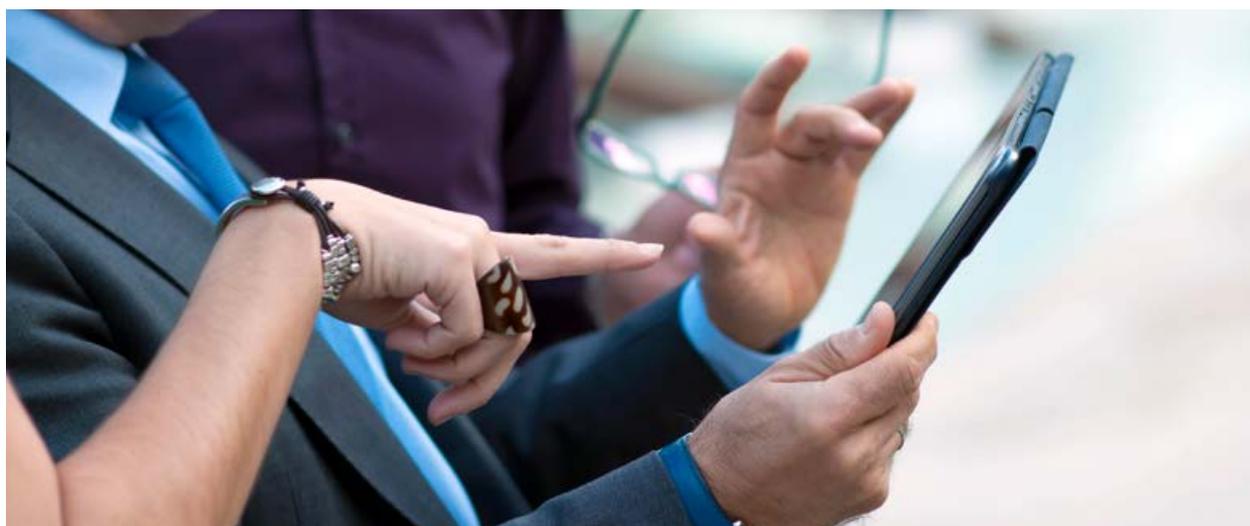
⁽¹⁾ These data include information from Argentina, Australia, Brazil, Chile, Costa Rica, the Dominican Republic, Israel, Italy, Mexico, Panama, Spain and the USA. The remaining data and indicators of the supply chain that appear in the report do not include the information from the Renewable Business in the United States, Dominican Republic, Italy, Brazil, Chile and Israel, nor that of the last four months of the year from the Gas Networks Business in Spain, due to system changes.

⁽²⁾ There has been an increase in the volume of purchases awarded in Renewables and New Businesses and innovation, in line with the company's Strategic Plan 2021-2025.

⁽³⁾ Environmental, Social and Governance (ESG). The ESG assessment of suppliers is carried out in the main subsidiaries of the Group where the Achilles tool is implemented, and through which the business classification of suppliers is carried out. The number of ESG suppliers assessed includes both the awarded suppliers and the potential suppliers that have qualified to participate in a Naturgy bidding process.

	Target 2023	2023	2022
Purchase volume assigned to local suppliers ⁽¹⁾	> 85%	89.93%	80.41%
Coverage level of ESG audits over purchase volume with high ESG risk	> 80%	84.42%	82.65%
Percentage of purchase volume with acceptance of the Code of Ethics	> 95%	96.37%	95.42%

⁽¹⁾ Local supplier: supplier located in the same geographical area where the purchases are made.



Highlights of the year

- › Formulation by the Board of Directors of the policy that complies with the requirements of Law 2/2023 regulating the protection of persons who report regulatory infringements and the fight against corruption, and implementation of an Internal Reporting System and its management procedure.
- › Adaptation of the reporting channel to the requirements of Law 2/2023.
- › Implementation of the Internal Control System for Non-Financial Information with the aim of defining the set of processes that Naturgy carries out to provide reasonable assurance on the reliability of the non-financial information published by the company.
- › Naturgy received 110 requests for information from the Spanish Data Protection Agency, all of which were duly dealt with and, at the date of writing this report, none of them had resulted in a sanction.
- › Carrying out simulation exercises of response to cybersecurity incidents in each of the businesses and countries of operation on an annual basis and monthly analysis of vulnerabilities in cybersecurity measures.
- › In 2023 it became mandatory to have a carbon footprint certificate in tenders for services or products with a high risk of climate change or with a large volume of purchases. In addition, for the remaining tenders, the possibility of voluntarily including a certificate verifying the measurement of its carbon footprint by an accredited entity as part of its technical offer is maintained, and that this is positively valued by Naturgy in the award decision.
- › Naturgy contractually requires suppliers categorised as high risk in climate change and with a large volume of contracted purchases to report their degree of performance in climate matters each year through questionnaires on the CDP Supply Chain platform, thus involving suppliers in the improvement of their environmental impacts. In 2023, 238 Naturgy suppliers were invited to report their information through CDP Supply Chain.

2. Compliance

Integrity and trust compliance is one of the challenges that Naturgy faces in a coordinated manner. The company is convinced that the entire organisation must have a uniform approach to action, framed within the company's Code of Ethics and under a compliance management model.

The body of regulations is based on the Code of Ethics, which is complemented by the Supplier Code of Ethics, the Crime Prevention Model, the Compliance Policy, the Anti-Corruption Policy, the Human Rights Policy and other control standards and models that ensure the efficiency of operations in each of the company's areas.

Internal audit is the independent and objective assessment activity that ensures and safeguards the overall control system of the company and the external and internal regulations.

Part of being a company of integrity is observing and strictly complying with tax obligations. For this reason, Naturgy has a tax strategy and a Tax Risks Control and Management Policy that governs the basic principles for Naturgy's tax function and the main lines of action to mitigate and adequately control tax risks.

On the other hand, a commitment to integrity means not only understanding and managing one's own risks, but also taking into account the potential risks that the company's activities may have on people and the environment, and including them in decision-making. Against this backdrop, Naturgy's Human Rights Policy is of particular importance. The policy's ten commitments take into account the stakeholders who may be affected by the company's activities, particularly those who are most at risk.

The following sections detail each of the elements that Naturgy considers essential to meet the expectations of a responsible company.

Compliance management model

As mentioned above, the compliance management model encompasses all the company's actions to ensure compliance with the precepts of integrity and trust. To this end, Naturgy has a model based on a series of commitments set out in its policies, supervisory bodies and safeguard mechanisms.

During 2023, a number of improvements were made to the compliance management system:

- › The approval of Law 2/2023, regulating the protection of persons who report regulatory infringements and the fight against corruption, led to the following obligations for Naturgy, among others: have an Internal Reporting System, introduce guarantees for the protection of informants within the entity itself, as well as to approve a policy or strategy that sets out the general principles for the operation of the Internal Reporting System in question.

Accordingly, based on this obligation, on 31 May 2023 the Board of Directors of Naturgy formulated a policy that complies with the requirements of Law 2/2023, whose main objectives are:

- Delimit the scope of the Internal Reporting System, both objectively and subjectively.
 - State the general principles that must govern the functioning of the Internal Reporting System.
 - Establish guarantees for the protection of whistleblowers.
 - Facilitate the guidelines to be followed for the correct processing, investigation and resolution of complaints and consultations received.
- › Likewise, and in implementation of the previous policy, on 20 July 2023 the Naturgy Board of Directors approved the Management Procedure of the Internal Reporting System of the Naturgy Group, which will be applicable to the processing of information relating to any of the infringements referred to in article 2 of Law 2/2023, in particular:
 - Any acts or omissions that may constitute breaches of European Union law that meet the criteria set out in Law 2/2023.
 - Acts or omissions that may constitute a criminal offence.
 - Acts or omissions that could constitute a serious or very serious administrative offence.

Code of Ethics and related policies

The Code of Ethics of Naturgy, formulated and approved by the Board of Directors, is the document that establishes guidelines that must govern the ethical behaviour of managers and employees of the company in their daily work, with regard to relationships and interactions with all its stakeholders. The code sets out the undertakings entered into by Naturgy in the fields of good governance, corporate responsibility and questions of ethics and regulatory compliance.

Since 2005, when it was adopted, the Code of Ethics has been regularly renewed to adapt it to the new situations that affect the company. It was last updated in 2021.

In addition, the company has developed a set of rules with various guidelines that reinforce and extend the principles formulated in the Code of Ethics.

The main compliance policies approved by the company are as follows:

	What it is	Targets
Compliance Policy	It establishes the roles and responsibilities for the compliance management system. Effective from 2019.	<ul style="list-style-type: none"> › Promote a culture of compliance and zero tolerance of non-compliance. › Ensure, through prevention, detection, monitoring, training and response activities, the organisation’s compliance with external and internal regulations. › Avoid possible sanctions, financial losses and reputational damage.
Anti-Corruption Policy	<p>It establishes the principles for all employees and managers of Naturgy companies.</p> <p>This complies with national and international legislation in this matter.</p>	<p>Guide the conduct of employees and managers in the face of any corrupt practices within the company, through:</p> <ul style="list-style-type: none"> › Prevention. › Detection. › Research. › Remedy.
Business Courtesies Policy	It establishes the conditions under which Naturgy’s directors and employees may accept or offer business courtesies to business counterparties in the performance of their professional duties.	<ul style="list-style-type: none"> › Avoid improperly influencing their commercial, professional or administrative relations with both public and private entities. › It must comply with the principles set out in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy.

Continues >

	What it is	Targets
Conflict of Interest Policy	<p>Its purpose is to implement the provisions of chapter 4.10. "Loyalty to the company and conflict of interest" in the Naturgy Code of Ethics, which establishes that Employees must act with loyalty and in the best interests of Naturgy.</p>	<ul style="list-style-type: none"> › Establish the guidelines for action to be followed by Employees in the event of a conflict of interest situation, based on the principles of loyalty, abstention and transparency for the resolution of these situations. › It must comply with the principles set out in the Code of Ethics, the Supplier Code of Ethics, the Compliance Policy, the Anti-Corruption Policy and the Internal Code of Conduct on Matters Relating to Securities Markets and Treasury Stock Policy (ICC).
Counterparty Due Diligence Procedure	<p>Its purpose is to ensure that all areas of the Naturgy group carry out analyses, corruption and reputational risk assessments and their monitoring in an efficient and uniform manner, when third parties are involved in the business relations of the companies that make up the Naturgy group.</p>	<ul style="list-style-type: none"> › Comply with the principles set out in the Code of Ethics, the Crime Prevention Model, the Compliance Policy and the Anti-Corruption Policy.
Supplier Code of Ethics	<p>Its purpose is to establish guidelines for the ethical behaviour of its suppliers, contractors and external collaborators.</p>	<ul style="list-style-type: none"> › It includes the commitments derived from the United Nations Global Compact. › It determines the guidelines for conduct in the social and labour, ethical and good governance, health and safety, environmental and quality areas.
Internal Reporting System Policy	<p>Establishes the necessary guidelines to have an Internal Reporting System under the terms detailed in Law 2/2023.</p>	<ul style="list-style-type: none"> › It delimits the scope of the Internal Reporting System both objectively and subjectively. › It states the general principles that must govern the functioning of the Internal Reporting System. › It establishes guarantees for the protection of whistleblowers. › It facilitates the guidelines to be followed for the correct processing, investigation and resolution of complaints and consultations received.

Continues >

	What it is	Targets
<p>Internal Reporting System Management Procedure</p>	<p>It establishes the process for processing information relating to any of the offences referred to in Article 2 of Law 2/2023.</p>	<p>Procedure for the investigation of:</p> <ul style="list-style-type: none"> › Any acts or omissions that may constitute breaches of European Union law that meet the criteria set out in Law 2/2023. › Acts or omissions that may constitute a criminal offence. › Acts or omissions that could constitute a serious or very serious administrative offence.

The main policies in the area of compliance are accessible to all our stakeholders through our corporate website. In addition, the Counterparty Due Diligence Procedure is hosted in Naturgy’s internal regulatory navigator tool and on the Company’s intranet, being accessible to all employees, thus facilitating their knowledge and application of the due diligence processes.

Supervisory bodies

The Ethics and Compliance Committee works to disseminate the Code of Ethics and it also functions as advisor in the event of any doubt or conflict concerning the same. The Ethics Committee is supported by the Compliance Unit by monitoring compliance with external regulations and the policies and procedures implemented in the Group to mitigate the main risks in this area. These include legal, corruption and fraud.

Also, the Compliance Unit takes charge of the dissemination of the Code of Ethics of Naturgy by overseeing compliance with its provisions and the Anti-Corruption Policy. This unit reports regularly to the Ethics and Compliance Committee and the Audit and Control Committee (a delegated committee of the Board of Directors) on the activity carried out in the exercise of its functions. It also provides regular reports, covering the most relevant matters related to the dissemination of and compliance with the Code of Ethics and the Anti-Corruption Policy, and monitors their main indicators.

During 2023, the Ethics and Compliance Committee has held five working meetings, as well as one held in writing and without a meeting, among which, in addition to analysing the monitoring of the main indicators in the area of compliance, special attention was paid to the monitoring of complaints received through the Code of Ethics Channel and the proposal of appropriate measures to close them, and also to the analysis of the counterparties that, due to the singularities presented, have been submitted for analysis by the Compliance Unit.

Safeguard mechanisms

In addition to the Code of Ethics and specific oversight bodies, the compliance management model is complemented by other safeguards to help minimise the potential risks from possible breaches. These mechanisms are:

- › Crime Prevention Model.
- › Channels for reporting possible non-compliances.
- › Counterparty Due Diligence Procedure.
- › Dissemination and training actions. Training actions on corruption and bribery have been carried out by 96.7% of the staff.

Crime Prevention Model

The company has an international Crime Prevention Model which is updated annually. Thus, in 2023, the model has continued to be adapted to the new organisational structure operated within Naturgy.

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

The Compliance Unit is in charge of managing the Crime Prevention Model and, in collaboration with the different units affected, assesses the risks in the models it develops.

Given the importance of having a tool that ensures proper management control of the Crime Prevention Model, a SAP GRC Process Control is administered and used for comprehensive management of the documentation, assessment and supervision of the model.

Each year, this model is assessed by an independent third party. During 2023, the AENOR UNE 19601 certifications relating to Criminal Compliance and ISO 37001 relating to Anti-bribery were renewed. With regard to the evaluation of the system by an independent third party expert, it will be carried out in the first months of 2024 in order to be able to fully measure the design and effectiveness of the Crime Prevention Model during the year.

Worldwide, Naturgy is also deploying crime prevention models gradually in Argentina, Australia, Chile, the United States, Mexico and Panama, countries with laws governing the civil liability of legal persons.

While the Crime Prevention Model identifies all criminal risks applicable to Naturgy in accordance with article 31 bis of the Criminal Code, the fight against fraud, corruption and the criminal risks related to money laundering are the most important ones, on which more information is provided below.

Anti-fraud and anti-corruption plans

Naturgy's mechanisms to ensure the proper implementation of the Anti-Corruption Policy and to prevent, detect, investigate and sanction cases of corruption:

- › Monitoring of the operation and assessment of the effectiveness of the organisation, control and compliance models implemented in the different corporate and business areas of Naturgy, especially the Crime Prevention Model.
- › Employees, as well as Naturgy's stakeholders, have at their disposal channels so that they can bring to the attention of the Ethics and Compliance Committee any non-compliance or irregular or suspicious behaviour in this area. Communications can be made on the Naturgy Internal Reporting System website (<https://naturgy.integrityline.com/frontpage>). Through this channel, also accessible through Naturgy's corporate website, the compliance unit, together with the internal audit, people and organisation or other areas of the company whose intervention is required, carry out the relevant investigations arising from reports of corruption and bribery. If the reported behaviour is confirmed, and in application of the Operating Regulations of the Code of Ethics Channel or the Management Procedure of the Internal Reporting System for the infringements referred to in article 2 of Law 2/2023, the imposition of sanctions and the adoption of the corrective measures deemed appropriate are envisaged.
- › Regular declaration for all new employees and particularly exposed persons, in which they must formally state that they know and comply with the principles established in the Code of Ethics, the Compliance Policy and the Anti-Corruption Policy was launched in 2023. Likewise, for those employees considered particularly exposed either because of their area of dedication or because of the position they hold in the company, the declaration is annual.
- › Business Courtesies Policy: the purpose of this policy is to regulate the conditions under which Naturgy's directors, managers and employees may accept/offer business hospitality from/to third parties within the framework of the performance of their professional duties, which are legitimate, reasonable, proportional and appropriate to the level of the offeror and the recipient, so as to ensure effective compliance with the principles of objectivity, impartiality and transparency established in the Code of Ethics and in Naturgy's Anti-Corruption Policy. The Policy is established as a basic framework for anti-bribery compliance in accordance with the international standard UNE-ISO 37001, on anti-bribery management systems.
- › Conflict of interest policy that seeks to establish mechanisms to identify situations of conflict of interest in order to minimise it so that it does not become a risk of fraud and corruption.

During 2023, in Spain, one case of internal fraud was confirmed and received through the Code of Ethics Channel, and remedial action was taken in this area.

Prevention of money laundering

Naturgy has the mechanisms, procedures and policies that seek to prevent and, where appropriate, detect and react to those possible breaches in the area of prevention of money laundering that are detected in the performance of its activity.



Prevention

- › Code of Ethics.
- › Anti-Corruption Policy.
- › Counterparty Due Diligence Procedure.
- › General standard for hiring external advisors.
- › Procedure for granting signature levels.
- › Internal Control Procedure for processing payments and cash movements PE.00004.
- › GN-EF.
- › Compliance Policy.
- › Committee on Expenditure and Investment (TOTEX).



Detection

- › Review and auditing of the Crime Prevention Model by an independent third party.
- › Reviews of the Internal Audit Area.
- › Internal control system on financial reporting.
- › Reporting channel.



Reaction and response

- › Internal Reporting System Management Procedure.
- › Code of Ethics Channel operating regulations.
- › Disciplinary regime.
- › Collaboration with competent authorities in each country when faced with suspicious situations.

Reporting channel

It is a mechanism that arises for Naturgy employees to acquire a high level of commitment to compliance with its Code of Ethics and Anti-Corruption Policy. Its breach is analysed according to internal disciplinary procedures, legal regulations and existing agreements.

In 2023, the company adapted its whistleblower channel to the requirements of Law 2/2023 regulating the protection of persons who report regulatory infringements and the fight against corruption. In this way, the tool makes it possible to file complaints that may constitute infractions referred to in article 2 of Law 2/2023, which refer to breaches of the Code of Ethics such as complaints of sexual or gender-based harassment. The channel, more agile, traceable, with software that is more secure and certified in Europe, is available through Naturgy's external website and the Company's intranet (<https://naturgy.integrityline.com>).

Since the entry into force of the new Organic Law on Data Protection and Guarantee of Digital Rights, and in accordance with the provisions thereof and Law 2/2023, the Naturgy reporting channel allows for anonymous consultations and whistleblowing. In 2023:

- › None of the communications received through the Internal Information System refer to those referred to in Article 2 of Law 2/2023, regulating the protection of persons who report regulatory infringements and the fight against corruption.
- › 31.25% (37.2% in 2022) of the notifications were related to the principle of respect for people, and they were all solved appropriately.
- › No notifications were reported related to labour or child exploitation or in relation to the rights of local communities and human rights.
- › Five disciplinary situations, two serious offences and two very serious offences, from complaints made to the Ethics and Compliance Committee, or from situations covered in the Code of Ethics or the Anti-Corruption Policy have been handled. These disciplinary situations have been resolved by written reprimand and financial penalty and dismissal. It was not necessary to repair damages relating to impacts caused by human rights cases.

Counterparty Due Diligence Procedure

Naturgy has a Counterparty Due Diligence Procedure to know and analyse the counterparties with whom the company operates and thus evaluate the associated corruption and reputation risks.

Through application of this Procedure, Naturgy ensures that all areas of the Group carry out analyses, corruption and reputational risk assessments and their monitoring in an efficient and uniform manner, when third parties are involved in the business relations of the companies that make up the Naturgy Group.

The application of this Procedure complements, and does not replace, the third-party assessments already established by Naturgy's regulatory body and which must be carried out by other units, such as Purchasing or Risks.

During 2022, a new analysis tool was implemented that visually and globally includes all the risks associated with counterparties that must be taken into account in any analysis (sanctions, adverse media, geopolitical risk, particularly exposed persons, SOEs, ESG aspects, etc.). This tool aims to standardise the risk assessment of both suppliers and counterparties under the scope of the Counterparty Due Diligence Procedure. The compliance preliminary risk analysis processes were also computerised by implementing initial risk assessment forms via the corporate intranet.

Dissemination and training actions

Naturgy regularly carries out training initiatives based on the programme with the aim of raising awareness of the importance of fighting against corruption and ensuring that directors, employees and suppliers are given enough and appropriate information to act accordingly. Some of these regular initiatives include the following:

- › Update of the Naturgynet space dedicated to compliance.
- › Periodic report to the Board of Directors on the activities of the Ethics and Compliance Committee (notifications received, activities carried out, etc.).
- › Training course on Crime Prevention Model, Code of Ethics and Anti-Corruption Policy.
- › Specific training in relation to the Crime Prevention Model and Anti-Corruption Policy for new employees and directors.
- › Presentations in Boards of Directors and Management Committees of the Crime Prevention Model.

During 2023, face-to-face training sessions were held throughout Spain to raise awareness among business units in the commercialisation area of the importance of processes to prevent fraud and corruption, with special emphasis on data protection breaches.

Face-to-face training sessions have also been developed for the Internal Audit, People, Organisation and Cybersecurity areas to search for information through open sources.

As regards communication activities, successive messages have been published on the intranet under the title Flash Compliance. In these communications, the Compliance Area has taken advantage of current news to convey information related to this matter.

In the second half of the year, the campaign The Power of Integrity was published on NaturgyTV, consisting of six videos on different topics: workplace harassment, sexual or gender-based harassment, business courtesies, bribery, conflicts of interest and counterparty due diligence. The campaign closed with great success and with a final video introducing the Naturgy Compliance team and conveying the central message of the campaign Compliance is everyone.

Non-compliances and fines

The penalties imposed on Naturgy with a value of more than Euros 10,000 and considered final in administrative proceedings during 2023 are detailed in this section. This is without prejudice to any legal action that may be taken against them and which could lead to their annulment.

In Spain, the electricity distribution company (UFD) has received two penalties amounting to Euros 20,501 for billing errors and one penalty amounting to Euros 11,799 for causing a fire caused by a discharge on a high-voltage line. Related to the commercialisation business, Naturgy has received five fines amounting to Euros 93,001 for failing to comply in due time and form with the requirements formulated by the administration, 17 fines for a total amount of Euros 240,754 euros for improper contracting or modification of the supply contract and/or maintenance contract and six fines for a total amount of Euros 63,000 for errors in energy billing. In addition, the Renewables business has been fined Euros 419,297 for a serious tax offence for failing to file three self-assessment tax returns on time.

In Brazil, a sanction of Euros 12,698 was received for delaying the registration of a customer.

The company recorded no fines in 2023 for monopolistic practices or related to information and labelling of products and services.

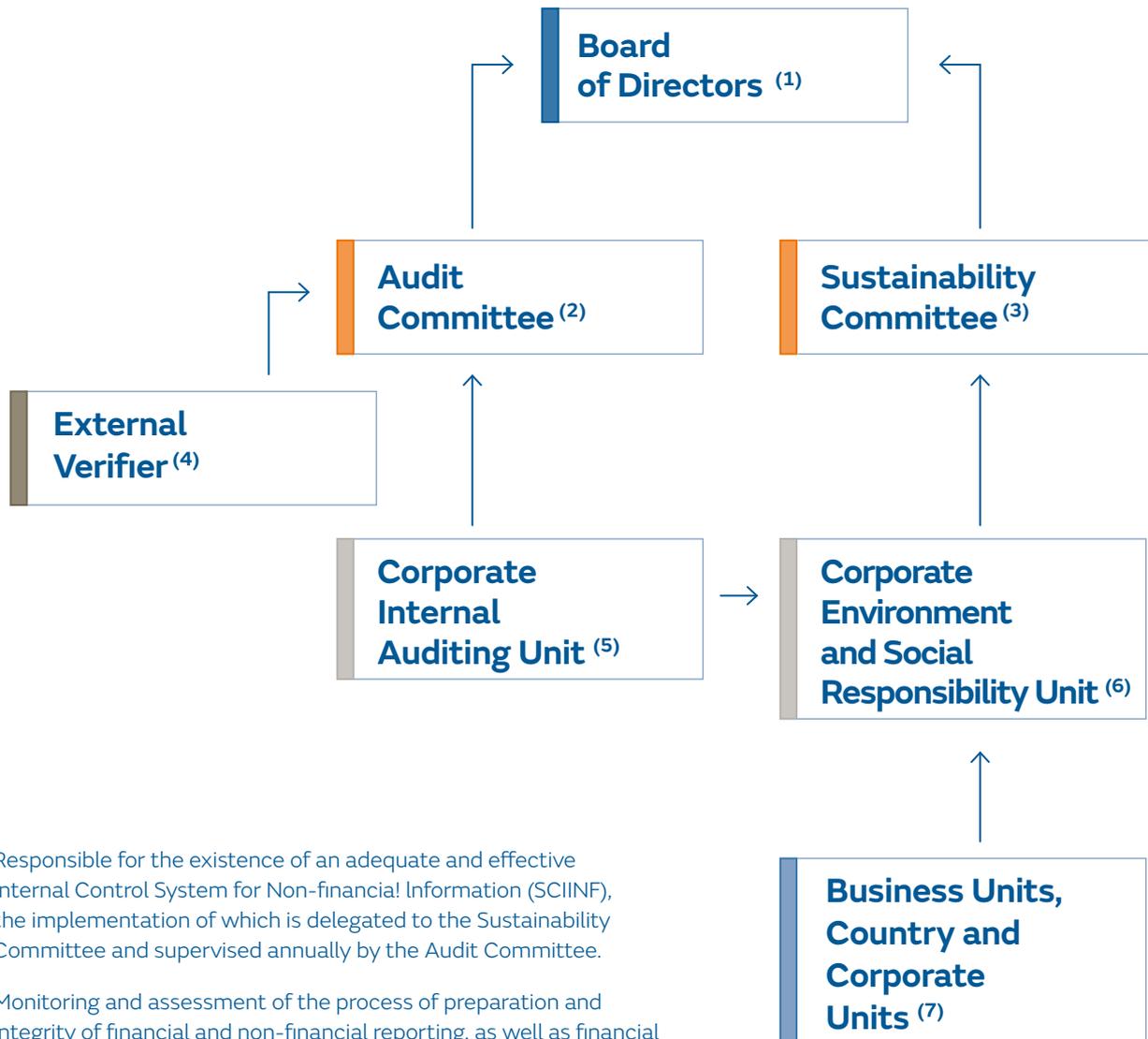
Internal Control System for Non-Financial Information System (ICSNFR)

In order to ensure the reliability of the information on environmental, governance and social aspects, Naturgy has implemented the Internal Control System for Non-Financial Information (ICSNFR) whose aim is to ensure the quality and reliability of the non-financial information reported, as well as the robustness of its reporting process.

The development of the ICSNFR has been carried out under the framework of the Corporate Sustainability Reporting Directive (CSRD), amending the Non-Financial Reporting Directive (NFRD). Among the main changes included is the need for verification of sustainability information under reasonable assurance in the future. Therefore, the contents of the Non-Financial Information Statement (NFS), which will be renamed Sustainability Report (SR) from the financial year beginning 1 January 2024, must be subject to systematic internal control, supervision and monitoring to ensure the quality and reliability of the non-financial information.

The Board of Directors, the Sustainability Committee and the Audit and Control Committee are the governing bodies involved in the design, implementation and operation of the system of controls and processes to identify risks and ensure the reasonable assurance and reliability of the non-financial information that the company discloses to the market.





⁽¹⁾ Responsible for the existence of an adequate and effective Internal Control System for Non-financial Information (SCIINF), the implementation of which is delegated to the Sustainability Committee and supervised annually by the Audit Committee.

⁽²⁾ Monitoring and assessment of the process of preparation and integrity of financial and non-financial reporting, as well as financial and non-financial risk management and control systems, including the SCIINF.

⁽³⁾ Approval of the content and criteria to be included in the Non-Financial Information.

⁽⁴⁾ Verification of the sufficiency and accuracy of non-financial information and SCIINF.

⁽⁵⁾ Monitoring of the overall SCIINF model and the effectiveness of the associated controls, through the implementation of the Annual Audit Plan over a multiannual horizon. Inform the Audit Committee of potential weaknesses detected in the SCIINF.

⁽⁶⁾ Design, implementation and monitoring of the SCIINF.

⁽⁷⁾ Implementation and assessment of controls.

Internal auditing

Assurance function of Internal Audit

For Naturgy, Internal Audit is an independent and objective assessment activity. For this reason, the Internal Audit Unit reports to the Audit and Control Committee of the Naturgy Group.

Its mission is to guarantee the ongoing review and improvement of the Group's internal control system, and to ensure compliance with external and internal regulations and the established control models. Its purpose is to safeguard the effectiveness and efficiency of operations and to mitigate the main risks in each of the company's areas. Likewise, it is responsible for drawing up the report on the internal audit activity to the Audit and Control Committee.

In the performance of its activity, Internal Auditing methodically reviews the internal control system of the Group's processes in all areas, and also assesses the risks and controls associated with these processes, through definition and introduction of the Annual Internal Audit Plan.

The methodology for the assessment of risks is in accordance with best corporate governance practices, based on the conceptual framework of the COSO Report (Committee of Sponsoring Organisations of the Treadway Commission) and on the basis of the types of risks defined in the company's Corporate Risk Map.

In 2023, 118 (128 in 2022) internal audit projects were carried out, 77 (89 in 2022) of which corresponded to the review of processes associated with the main risks of the service and business executive departments at Naturgy. The analyses carried out reached 100% of the service and business executive departments. In the projects performed. In the projects performed in 2023, no significant incidents related to corruption were detected. One case of internal fraud was detected.

Taxation

Tax policy

For Naturgy, the company's tax policy must have well-defined basic lines, so that all the players involved are clear about all the procedures to be followed and those that will be followed.

All of Naturgy's tax policies are aligned with:

- › The **Naturgy Corporate Responsibility Policy**, in which one of the commitments and principles of action is to “adopt responsible business management practices and comply with all tax obligations in all jurisdictions in which the company operates, accepting the commitment to accountability and collaboration with the corresponding tax agencies”.
- › The **Naturgy Code of Ethics** establishes that “all employees of the Group must comply with the laws in force in the countries where they conduct their activities, thereby heeding the spirit and objectives of the laws and behaving ethically in all their actions”.
- › The **Code of Best Tax Practices (CBTP)**, approved on 20 July 2010 by the Plenary session of the Large Companies Forum, a body established by the Spanish National Tax Agency with Spain's largest companies, including Naturgy Energy Group, S.A. The CBTP contains recommendations by the tax authorities, which Naturgy has adopted voluntarily, that are aimed at improving the application of the tax system by enhancing legal certainty, reducing litigation, fostering mutual co-operation based on good faith and legitimate trust, and the application of responsible tax policies.

Organisational principles ensure that the tax function is carried out in a global (with responsibility for all the Group's tax matters in the various management areas), integrated (with a single criterion) and professional (expert teams) manner.

Tax strategy

Through the Audit Committee, the Board of Directors is responsible for overseeing compliance with the Group's tax strategy. At a meeting on 26 January 2019, the Board of Directors approved the Tax Strategy and Tax Risks Control and Management Policy, which sets out the basic principles governing Naturgy's tax function and the main lines of action to mitigate and guide proper control of tax risks. The basic principles governing Naturgy's Tax Strategy are as follows:

- › Responsible compliance with tax obligations.
- › A low tax risk profile.
- › Adoption of tax treatments based on economic reasons.
- › Transparency of tax information.
- › Co-operation with the Tax Authorities.

Tax Risks Control and Management Policy

The main lines of the Tax Risks Control and Management Policy are as follows:

- › Clearly defined tax governance.
- › Procedures for controlling the tax risk arising from Compliance.
- › Procedures for assessing and controlling tax approaches where there is uncertainty.
- › Oversight of the performance of the Tax Control Framework.
- › Regular reporting of the tax situation to the Board of Directors.

Overall and integrated responsibility for the tax function is centralised in the Tax Unit. The entire Group has common tax policies to allow for proper functioning and coordination between the different tax units of the company. In this way, they are developed under a single, common criterion, without prejudice to the peculiarities of each business and jurisdiction.

In order to perform these functions correctly, the tax units at Corporate and Business levels have teams with academic and practical training in accounting, financial and tax matters that enable them to carry out their tasks satisfactorily.

To align Naturgy's tax policies with these principles, the Group has a General Regulation governing the Tax Control Framework, designed in accordance with the guidelines of the Organisation for Economic Co-operation and Development (OECD) for multinational enterprises, and for the design and implementation of a Tax Control Framework.

Tax Risks and Tax Control Framework

Naturgy also has a risk map that specifically identifies the tax risks and issues regarding the interpretation or application of tax law. The main matters with a tax impact are detailed in Note 21 “Tax situation” in the notes to the Consolidated Annual Accounts.

Regarding the approach to tax risks, it is worth mentioning that all uncertain tax processes (adopted or those planned to be adopted in tax returns) (which the tax authorities may not accept), are assessed by applying a predefined methodology. Based on the assessments obtained and the defined risk tolerance level, a mitigation, communication and, if applicable, approval plan is established in accordance with the procedures and authorization levels documented in the General Regulation governing the Tax Control Framework.

Additionally, in the case of transactions that must be submitted to the Board for approval and other transactions with special tax risk, the Company and Board Secretary will inform the Board of Directors of the tax consequences before they are approved by the Board of Directors. The practical implementation of this section of the general standard is carried out by applying the provisions of Naturgy’s General Procedure of the Tax Control Framework.

The compliance assessment of the fiscal governance and control framework takes place at year-end and prior to the preparation of the Consolidated Annual Accounts. The Board of Directors is presented with Naturgy’s tax situation by the Company and Board Secretary, which includes, among other matters:

- › The tax policies applied during the year.
- › Tax information by country and information included in the annual financial report.
- › Tax audits, litigation and tax risk mapping.
- › Compliance with the obligations assumed by adherence to the Code of Good Tax Practices.
- › The most relevant results of the monitoring of the functioning of the Tax Control Framework.

Finally, with regard to the mechanisms for reporting concerns, through the Code of Ethics, queries and/or complaints may be made regarding behaviour contrary to the rules of conduct published by the company or which, without being expressly regulated, any employee may consider that certain actions are contrary to the code of good tax practices approved by the Board of Directors.

Tax havens

The incorporation or acquisition of undertakings domiciled in countries or territories designated as tax havens must be reported to the Board of Directors via the Audit Committee.

At the end of 2023, the Naturgy Group has no company in any territory considered as a non-cooperative jurisdiction in accordance with the new regulations arising from the EU Directive 2016/1164 of the Council of 12 July 2016, which has been implemented in the Spanish internal regulations through Law 11/2021 of 9 July, which amended the First Additional Provision of Law 36/2006 of 29 November on the prevention of tax fraud, and, specifically, the list of non-cooperative jurisdictions published in Order HFP/115/2023 of 9 February. At year-end 2022, there were also no companies in any territory classified as a non-cooperative jurisdiction.

Tax contribution

Naturgy attaches priority to its obligation to pay any taxes that are due under each territory's rules.

Naturgy's tax contribution in 2023 amounted to Euros 2,229 million Euros (3,504 million in 2022). The following table shows the taxes actually paid by Naturgy in each country, distinguishing between those that involve an actual expense for the Group ("own taxes"), and those that it withholds or that it passes on to the final taxpayer ("third-party taxes"):

	Own taxes						Third-party taxes									
	Income tax ⁽¹⁾		Others ⁽²⁾		Total		VAT	Hydrocarbons tax and Electricity tax		Others ⁽³⁾		Total				
	2023	2022	2023	2022	2023	2022		2023	2022	2023	2022	2023	2022	2023	2022	
Spain	33	379	521	273	554	652	534	1,723	92	93	178	184	805	2,000	1,359	2,652
Argentina	10	9	4	4	14	13	2	2	0	0	0	5	2	7	16	20
Brazil	73	75	17	0	90	75	116	68	0	0	8	62	124	130	213	205
Chile	42	139	39	5	82	144	48	44	0	0	1	2	49	46	130	190
Mexico	63	95	4	8	67	103	88	67	0	0	44	0	132	67	200	170
Panama	14	10	6	0	20	10	3	1	0	0	0	1	3	2	23	12
Rest of LatAm	15	9	7	0	22	9	28	6	0	0	1	1	29	7	51	16
Total LatAm	217	337	78	17	295	354	284	188	0	0	54	71	339	259	633	613
Rest	127	46	6	3	133	49	95	153	6	35	3	2	104	190	237	239
Total	377	762	604	293	982	1,055	914	2,064	98	128	235	257	1,247	2,449	2,229	3,504

⁽¹⁾ Refers to income tax actually paid in the year as per the Cash-Flow Statement of the Consolidated Annual Accounts. It does not include accrued amounts and does include the Temporary Energy Levy in Spain amounting to Euros 165 million. Set out below is the reconciliation between income tax recognised and the amount that would be obtained by applying the nominal tax rate in force in the parent company's country (Spain) to "Profit/(loss) before taxes", as detailed in Note 21 "Tax situation" to the Consolidated Annual Accounts.

⁽²⁾ Includes energy taxes in Spain, local taxes, social security for the company's share and other taxes specific to each country.

⁽³⁾ Basically includes withholdings on employees and Social Security for the employee's contribution.

The main difference in Naturgy's tax contribution compared to 2022 is explained by the reduction of VAT in Spain applied by the Government in order to mitigate the impact of inflation on energy prices.

Information on revenues from sales to third parties and revenues from intra-group transactions with other tax jurisdictions in 2023 is not available on a country-by-country basis on completion of this report. The information will be available for the country-by-country statement submitted in December next year. For 2022 information, details are provided in Chapter "Annexes", section Integrity and trust.

Subsidies

The changes in capital subsidies received are detailed in Note 15 to the Consolidated Annual Accounts. Capital grants were received in 2023 in the amount of Euros 1 million (Euros 13 million in 2022). If operating subsidies had been received, these would be disclosed in Note 24 of the Consolidated Annual Accounts. No such subsidies were received in 2023 or 2022.

Global Human Rights Policy

Naturgy is committed to respecting and protecting human rights in all its operations. Its commitment is expressed in its Global Human Rights Policy in place since 2011 and aligned with the UN's Guiding Principles on Business and Human Rights. The policy was updated and approved by the Board of Directors in 2019.

The ten commitments adopted in the policy were defined through an analysis of 33 risks covering all the areas and countries in which the company operates, with the participation of the heads of each business or country who assessed the degree of exposure to each of the risks and the internal mechanisms available for their management.

Our commitments include stakeholders that may be affected and, in particular, employees who work for Naturgy through third parties, indigenous peoples, communities surrounding the company's projects, children and, in general, vulnerable groups.

In 2023, the company continued to monitor the proposed EU directive on sustainability due diligence. Their requirements will determine the future human rights actions to be addressed by the company.

Human Rights Policy Principles and risks identified

Commitment 1. Avoiding any practices which are discriminatory or which might compromise people's dignity	
Risk 1. Failure to respect people	Failure to provide the necessary conditions to enable people to work in an environment where their dignity and rights are respected in the centres and activities of the group.
Risk 2. Discrimination	Failure to avoid discriminatory practices on grounds of gender, ethnic origin, creed, religion, age, disability, political affinity, sexual orientation, nationality, citizenship, civil status or socio-economic status in the processes and practices of the company regarding human resources issues.
Risk 3. Abuse, intimidation and violence	Failure to avoid cases of abuse, intimidation or violence among group employees.
Risk 4. Forced and compulsory labour	Failure to avoid resorting to forced labour or that company employees are unable to freely choose their job position.

Continues >

Risk 5. Unjust detention	That employees can be detained on unjust or unfair grounds by the authorities or other organisations that use intimidation and violence.
Commitment 2. Eradication of child labour	
Risk 6. Child labour	That the activities and operations of the group breach children's rights.
Risk 7. Minimum working age	The company does not ensure that the ages of all its employees exceeds the minimum working age.
Commitment 3. Ensure freedom of association and collective bargaining	
Risk 8. Freedom of association	In those places where the institutional framework does not guarantee freedom of association and the right to collective bargaining, failure by the company to provide its employees with the conditions for them to meet and freely discuss issues related to their working or employment conditions.
Risk 9. Collective bargaining	Failure to ensure that its employees have the right to freedom of association, trade union membership and collective bargaining.
Commitment 4. Protecting employee health	
Risk 10. Health and safety of employees	Failure by the group's centres and activities to provide the right conditions for people to work in a safe and healthy environment.
Risk 11. Health and safety of third parties	The assets of the company damage the health or physical integrity of third parties through negligence by the group or the injured party.
Commitment 5. Ensure adequate employment and salary	
Risk 12. Dignified wage	Employees do not receive a dignified wage.
Risk 13. Working hours	Within the company, the limits regarding the number of hours worked per week and employees' right to rest are breached.
Risk 14. Rest	In those places where the institutional framework does not establish remuneration conditions or a right for people to take breaks, the company has not established measures in this regard.
Risk 15. Work-life balance	Failure by the company to facilitate conditions that enable people to maintain a proper balance between their personal and professional life.
Risk 16. Privacy	The company does not respect the right to privacy of its employees.

Commitment 6. Commitment towards people linked to suppliers, contractors and collaborating companies

Risk 17. Suppliers, contractors and collaborating companies

The company works with suppliers, contractors and collaborating companies whose practices do not respect human rights.

Commitment 7. Respecting indigenous communities and traditional ways of life

Risk 18. Rights of indigenous communities

The company violates the human rights and fundamental freedoms of the indigenous communities in the areas where it operates.

Risk 19. Indigenous territories

Failure by the company to recognise the right of indigenous communities to maintain their customs and social practices, as well as ownership of those territories that have been given to them legally, according to the provisions of ILO Convention 169.

Risk 20. Land procurement

During the procurement of land and other transactions or trade agreements with communities, the company fails to adequately inform them in advance or compensate them according to local law and practice and, in any case, in an objectively fair manner.

Risk 21. Assessing impacts

Failure by the company to have the necessary mechanisms to assess the potential impact and risk to the rights of communities in its projects.

Risk 22. Environmental impact

The activities of the group generate an unjustified negative impact on the environment.

Commitment 8. Protecting facilities and people on the basis of respect for human rights

Risk 23. Background on security staff

The staff who protect the security of the facilities and operations of the group have been involved in the abuse of human rights.

Risk 24. Bad practices of security staff

The staff who protect the security of the facilities and operations of the group are involved in injustices and in the inhumane or degrading treatment of people.

Risk 25. Disproportionate use of force

The staff who protect the security of the facilities and operations make disproportionate or unjustified use of force.

Risk 26. Misuse of company assets

The resources and assets of the company are used to violate human rights as a consequence of security staff practices.

Risk 27. Involvement in abuse

The company is involved in the abuse of human rights committed by governmental security forces.

Continues >

Commitment 9. Support and promote respect for human rights in the wider community

Risk 28. Public commitment	That the commitment made by the company to human rights issues is not known publicly.
Risk 29. Freedom of opinion and expression	The company does not respect or promote the right to freedom of thought, conscience and religion and the freedom of opinion and expression within its field of activity.
Risk 30. Social rights of the community	Failure by the company to undertake actions or foster plans and/or activities in benefit of social rights, as a part of human rights, in the community where it operates.
Risk 31. Investment analysis	Failure by the company to have the necessary mechanisms to assess the potential impact on and risk to human rights of investment projects.
Risk 32. Partner analysis	The due diligence processes prior to the execution of collaboration agreements with third parties do not analyse the human rights policies and practices of partners.

Commitment 10. Helping to fight corruption and protect privacy

Risk 33. Corruption	The activities of the company provide incentives for or foster public-private corruption.
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Due diligence and risk assessment

Due diligence includes the ongoing analysis of human rights risks and their consequences, both in own activities and in business dealings. This includes establishing commitments and assigning responsibilities, supervising and monitoring the implementation of the policy, training people in the company and correcting any malpractice.

To monitor these risks, the heads of each area of the company carry out periodic assessments of the risks identified according to their level of management.

Each area of the company is responsible for complying with the Global Human Rights Policy. Knowledge is strengthened through mandatory training, seminars and information sessions. By the end of 2023, 7,595 people have taken the online human rights course.

Naturgy engages the resources necessary to guarantee the effective implementation of this policy. In this regard, the company regularly analyses the human rights issues that are applicable to its activity and will introduce mechanisms that enable it to assess the risk of breach of these in the environments in which it operates.

The company introduces specific measures for management of potential impacts and risks to human rights from the projects and investments, and will ensure that sufficient resources are targeted at the implementation of the corrective measures identified. More detailed information can be found in chapter "Social Responsibility", section Relationship with communities.

In the due diligence processes prior to the formalisation of collaboration agreements, Naturgy assesses the human rights policies and practices of its counterparties. During 2022, an analysis tool was successfully implemented, including a human rights risk assessment of counterparties. More detailed information can be found in this chapter, in the section on Compliance.

In addition, in the evaluation of suppliers, human rights practices are considered and suppliers may be excluded if they do not comply with the ethical standards set out in the Supplier Code of Ethics, which includes issues relating to respect for human rights, in particular those related to:

- › Eliminating of all forms of forced or compulsory labour.
- › Child labour.
- › Respecting indigenous communities and traditional ways of life.
- › Respecting people in general.

In this way, Naturgy establishes prevention mechanisms with regard to the third parties with which it establishes business relations so that the company's principles are extended to the supply chain.

Any breaches of human rights are studied in accordance with the internal procedures, legal regulations and the prevailing agreements, and could give rise to disciplinary or employment measures as determined in the internal regulations and legislation.

Employees of Naturgy are obliged to report any breach of the undertakings set out in this policy to the company, confidentially and without fear of reprisals. Those people who, without being company employees, witness potential malpractice in this area may also report this.

Contents Index in accordance with the United Nations Guiding Principles Reporting Framework (UNGPRF)

Indicator	Reference	Level of fulfilment
System of respect for Human Rights (A)		
A1. Policy commitment.	SRNFIS 2023. Global Human Rights Policy. Code of Ethics – pages 8-9.	Complete
A1.1 Development of public commitment.	SRNFIS 2023. Global Human Rights Policy – pages 4-7.	Complete
A1.2 Extent and scope of application of commitment.	SRNFIS 2023. Global Human Rights Policy – pages 3-4.	Complete

Continues >

Indicator	Reference	Level of fulfilment
A1.3 Form of communication of commitment.	SRNFIS 2023. Global Human Rights Policy – pages 7-9.	Complete
A2. Embedding respect for Human Rights.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 8-9. 2022 Annual Report on Remuneration.	Complete
A2.1 Organisation of responsibility in the field of human rights.	SRNFIS 2023. Global Human Rights Policy, page 7.	Complete
A2.2 Human rights issues escalated to the senior management and the governing board.	SRNFIS 2023. Global Human Rights Policy, page 8. 2022 Annual Report on Remuneration.	Partial
A2.3 Raising employees' awareness about human rights issues.	SRNFIS 2023. Global Human Rights Policy, page 7. 2022 Annual Report on Remuneration.	Complete
A2.4 Company's form of stating its commitment towards human rights in commercial relations.	SRNFIS 2023. Global Human Rights Policy, page 5 and 8.	Complete
A2.5 Lessons learnt about human rights and consequences which have arisen as a result.	SRNFIS 2023.	Partial
Defining a focus of reporting (B)		
B1. Statement of salient issues.	SRNFIS 2023.	Complete
B2. Determination of salient issues.	SRNFIS 2023	Complete
B3. Choice of focal geographies.	SRNFIS 2023.	Complete
B4. Additional negative impacts.	SRNFIS 2023. 2022 Internal Audit Report.	Complete
Management of salient human rights issues (C)		
C1. Specific policies.	SRNFIS 2023.	Complete
C1.1 Importance of human rights policy for persons responsible for implementing it.	SRNFIS 2023. Global Human Rights Policy, page 3.	Complete

Continues >

Indicator	Reference	Level of fulfilment
C2. Stakeholders commitment.	SRNFIS 2023.	Complete
C2.1 Identification of stakeholders to take part in salient human rights issues.	SRNFIS 2023.	Partial
C2.2 Stakeholders which have had relations with the company in connection to human rights.	SRNFIS 2023.	Complete
C2.3 Influence of the stakeholders' vision regarding human rights issues.	SRNFIS 2023.	Partial
C3. Assessing impacts.	SRNFIS 2023.	Complete
C3.1 Patterns or trends in human rights impacts.	SRNFIS 2023.	Partial
C3.2 Severe impacts on human rights.	SRNFIS 2023.	Complete
C4. Integrating findings and taking action.	SRNFIS 2023.	Partial
C4.1 Involvement by the company's parties in applying solutions and taking decisions regarding salient human rights issues.	SRNFIS 2023.	Complete
C4.2 Tensions of human rights impacts.	SRNFIS 2023. Global Human Rights Policy, Commitment 6.	Partial
C4.3 Actions taken to prevent or mitigate potential impacts on human rights.	SRNFIS 2023.	Complete
C5. Tracking performance.	SRNFIS 2023.	Complete
C5.1 Effective management of human rights issues.	SRNFIS 2023.	Complete
C6. Remediation.	SRNFIS 2023.	Partial
C6.1 Means of claiming regarding human rights issues.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23.	Complete

Continues >

Indicator	Reference	Level of fulfilment
C6.2 People's capacity to make claims or complaints.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23.	Complete
C6.3 Processing of claims and evaluation of effectiveness of results.	SRNFIS 2023. Global Human Rights Policy, page 8. Code of Ethics – pages 22-23. 2022 Audit and Control Report.	Complete
C6.4 Patterns and trends in claims or complaints.	SRNFIS 2023.	Partial
C6.5 Repairs in relation to any impact relating to human rights.	SRNFIS 2023.	Complete

Mitigation and remediation

Through the Human Rights Policy and the procedures for the evaluation of its own and third party risks, Naturgy adopts a preventive approach in relation to human rights risks.

Further details on the actions to mitigate the risks to Naturgy's employees (Risks 1 to 16) and the objectives established in matters relating to people's rights are described in chapter "Commitment and Talent", section Interest in people.

The main tools to prevent the materialisation of risks on suppliers, contractors and collaborating companies, including companies providing facility security services, are the Supplier Code of Ethics and supply chain management based on risk assessment. The assessment of suppliers includes issues related to human rights practices that are used to exclude suppliers in the event of an unsatisfactory response. Further details of these actions are described in this chapter, section Supply Chain.

The mitigation of risks relating to indigenous peoples (Risks 18 to 22) and communities in the company's project environments (Risks 28 to 32) is supported by the Social Relationship Model, which is described in more detail in chapter "Naturgy's stakeholders", section Dialogue actions with stakeholders and in chapter "Social Responsibility", section Relationship with communities.

Finally, the measures adopted to mitigate risk 33, relating to corruption, are extensively detailed in this chapter in the Compliance section.

During 2023, there is no record of any human rights violations received through the Code of Ethics Channel or otherwise, so no remedial action was required in this area.

3. Corporate governance

Corporate governance and its constant evolution

Naturgy's corporate governance is governed in accordance with the principles of efficiency, transparency and responsibility pursuant to the recommendations and best practices at national and international level and included in the main internal rules of the company:

- › Articles of Association (updated in 2022).
- › Regulations of the Board of Directors and its Committees (updated in 2022).
- › Regulations of the General Meeting of Shareholders (updated in 2022).
- › Human Rights Policy (updated in 2019).
- › Code of Ethics (updated in 2021).

During 2023 and due to the approval of Law 2/2023 of 20 February, regulating the protection of persons who report regulatory infringements and the fight against corruption, Naturgy's Board of Directors has carried out the necessary actions to comply with the obligations established therein, among the key measures adopted are the following:

- › Approval of the Naturgy Group's Internal Reporting System Policy.
- › Approval of the Management Procedure of the Internal Reporting System of the Naturgy Group.
- › Designation of the person responsible for the Internal Reporting System.
- › Adaptation of internal reporting channels to the requirements of Law 2/2023.

Furthermore, in the actions carried out by the Board of Directors, there is a clear vocation for compliance with good governance standards, mainly with regard to aspects related to the evaluation of the strategic plan, decision-making, the establishment of control mechanisms, risk supervision, regulatory compliance and the monitoring of ethical, social and environmental issues in the performance of the company's activities. To this end, Naturgy frequently reviews its operations through internal audit and compliance procedures and uses its internal regulations to set out those practices that should lead to greater knowledge of the company's way of working.

Stake (%)

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

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

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

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

⁽⁴⁾ Through Global InfraCo O (2) S.à. r.l.

Governing structure of Naturgy



Since the Chairman of the Board of Directors of Naturgy is also the Executive Director, the company has appointed the figure of the Lead Director, in order to mitigate possible conflicts of interest. This position is held by Ms. Helena Herrero, who is also an Independent Director, member of the Audit and Control Committee, and Chair of the Sustainability Committee. Pursuant to article 529 Septies of the Corporate Enterprises Act, the Lead Director has the power to request the calling of board meetings or the inclusion of new items on the agenda, to coordinate and bring together the Non-Executive Directors and to direct, where appropriate, the periodic evaluation of the Chairman of the Board of Directors.

As established in the Regulations of the Board of Directors and its Committees, all members of the Board of Directors of Naturgy, including the Executive Chairman, are obliged by the Corporate Enterprises Act to:

- a) Abstain from participating in the deliberations and voting procedures in relation to resolutions or decisions in which they or any related party is subject to any direct or indirect conflict of interest. The foregoing shall exclude the obligation to abstain from resolutions or decisions that affect the Director in his or her capacity of director of the Company, such as the designation or revocation thereof in relation to positions within the governing body or other similar positions.
- b) Adopt the measures necessary in order to avoid situations in which his or her interests, whether directly or indirectly in relation to any third party, may be subject to any conflict of interest with the Company's interests and with his or her duties to the Company.

In this regard, Naturgy's Directors' Remuneration Policy, approved in March 2022 by the General Meeting of Shareholders, and in force from its date of approval and for the 2023, 2024 and 2025 financial years, includes, as a preventive measure for possible conflicts of interest, that the Executive Chairman does not participate in the debates of the Appointments, Remuneration and Corporate Governance Committee when they deal with aspects that may affect them in relation to remuneration.

Naturgy also has a Conflicts of Interest Policy, approved in May 2021 and applicable to all Group employees, including the Executive Chairman. The policy establishes the guidelines to be followed by employees in the event of a conflict of interest, based on the principles of loyalty, abstention and transparency in resolving it.

Lastly, with regard to the actions aimed at monitoring and mitigating possible conflicts of interest, the Chairman of the Board of Directors must provide information on an annual basis, both in his capacity as a Board member and as an employee of the Naturgy Group, on the existence of any conflict between their personal interests and those of the company.

Further information can be found in sections A and C of the 2023 Annual Corporate Governance Report.

Management structure

The company's chief executive is also the Chairman of the Board of Directors and has responsibility for all the Group's businesses. The group has a structure of directors and managers with the necessary powers to carry out both the company's own operations and its core management activities. Members of the management committee are defined as persons with executive responsibilities who report directly to the Executive Chairman, Mr. Francisco Reynés Massanet.

Apart from the Executive Chairman, as of 31 December 2023, the Management Committee is composed of the following members:

- › Energy and Network Management Department, managed by Mr. Pedro Larrea Paguaga.
- › Renewables and New Business Department, managed by Mr. Jorge Barredo López.
- › Commercialisation Department, managed by Mr. Carlos Francisco Vecino Montalvo.
- › Information Systems Department, managed by Mr. Rafael Blesa Martínez.
- › Capital Markets Department, managed by Mr. Steven Fernández Fernández.
- › Energy Procurement and Wholesale Markets Department, managed by Mr. Jon Ganuza Fernández de Arroyabe.
- › Company and Board Secretariat, managed by Mr. Manuel García Cobaleda.
- › Sustainability, Reputation and Institutional Relations Department, managed by Mr. Jordi García Tabernero.
- › People and Organisation Department, managed by Mr. Enrique Tapia López.

In addition, there are specific committees for different matters, including the Energy Balance, Risk and Commercialisation Committee, which is responsible for monitoring the evolution of energy commodities (gas and electricity, CO₂, etc.) and the evolution of the indices, as well as for making buy, sell and hedging decisions at management level; the Regulatory Committee, which is responsible for monitoring regulatory initiatives, both at national and international level and making the corresponding decisions, and the Ethics and Compliance Committee, which is responsible for supervising the operation and compliance with the Crime Prevention Model and other compliance models adopted by the Naturgy Group. The committees described above are composed of members of the management committee and part of the management directly reporting to them.

Board of Directors

Duties

The Board of Directors is responsible for carrying out whatsoever action that may be necessary for the fulfilment of the corporate purpose laid down in the Articles of Association.

The Board of Directors is also responsible for approving corporate governance and corporate responsibility policies. Its activities include preventive risk management and the consideration of aspects linked to corporate responsibility. Every year, through the compilation of the respective reports, it also reviews and approves the information on risks and opportunities in these areas.

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

- › Non-delegable matters:
 - Those provided for in legislation as non-delegable.
 - Creation, investment and supervision of the management of personnel pension plans and any other undertakings involving personnel which imply long-term financial liabilities for the company.

- The appointment and removal of senior managers who have a direct dependence on the Board or any of its members, as well as the introduction of basic conditions of their contracts, including their remuneration.
- The matters subject to an enhanced majority contemplated in section 4 of Article 7 of the Regulations.
- The approval of those related-party transactions whose competence has not been attributed by law to the General Meeting of Shareholders.
- › Matters ordinarily non-delegable, but which may be adopted by the delegated bodies or persons, for reasons of urgency duly justified and which must be ratified at the first Board of Directors session held after the take-up of the resolutions, of which the following stand out:
 - The approval of management targets, the annual financing plan, the investment and financing policy, the corporate social responsibility policy.
 - The determination of the company's corporate governance policies, of the risk control and management policy, including tax risks, and supervision of the internal reporting and control systems.
 - The approval of the financial and non-financial reporting which, due to its status as a listed company, must be made public periodically by the company.
 - The approval of investments or operations of a strategic nature.

In accordance with the provisions of article 6 of the Board of Directors' Operating Regulations, the Chairman of the Board of Directors is responsible for convening Board meetings, ordinarily with at least five days' notice. The call is made via a digital platform and, in addition to the meeting agenda, the information corresponding to each item on the agenda is included for review by the directors in advance of the date scheduled for the meeting.

The Chairman submits proposals for the adoption of decisions on matters within the Board's competence at the appropriate intervals. During the course of the meetings, the Board deliberates on the items submitted for its approval, adopting them in each case in accordance with the required majorities.

The Company's chief executives have been invited to most of the meetings of both the Board of Directors and its Committees to present matters relating to their general managements or to respond to questions raised by the Directors on matters within their competence.

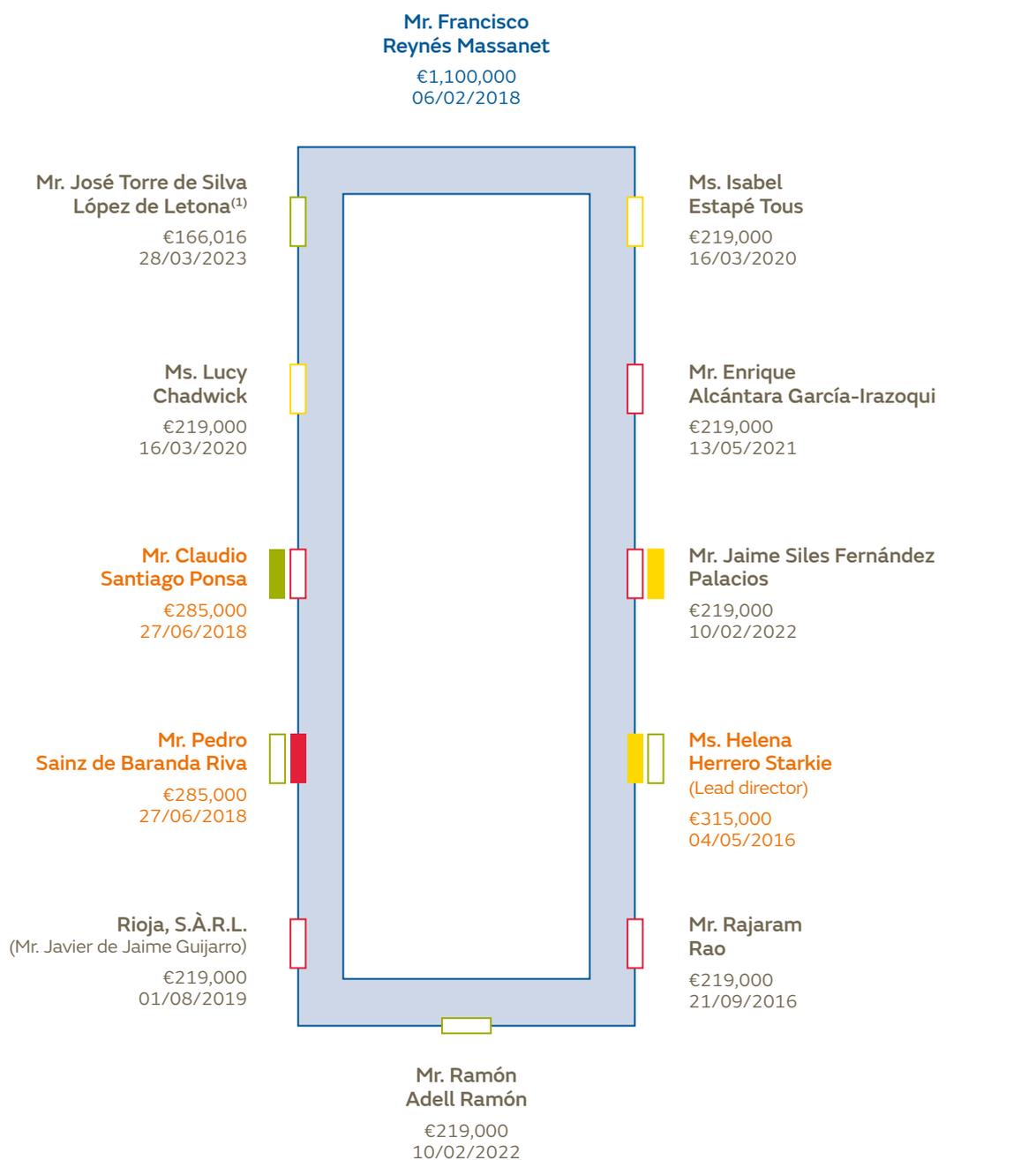
Both the deliberations of the Board of Directors and the resolutions adopted in each case are recorded in the Minutes drawn up for this purpose.

In 2020, Naturgy's Board of Directors agreed to create a new Committee, the Sustainability Committee, responsible for overseeing the company's evolution and role in the energy transition as well as in all its environmental, health and safety and social responsibility indicators.

The Sustainability Committee and the other specialised committees assume the competencies established by law and those entrusted by Naturgy's Board of Directors. Details of the functions and powers of each of these can be found in section C.2.1 of the Annual Corporate Governance Report 2023.

With regard to the functions performed by Directors in other entities, whether or not they are listed companies, the number of other positions, the significant commitments of each member and the nature of the same can be found in section C.1.11 of the Annual Corporate Governance Report.

Composition of the Board of Directors and its committees (at 31 December 2023)



Type of director

- Executive.
- Proprietary.
- Independent.
- N/A.

Type of committee

- Audit and Control Committee.
- Appointments, Remuneration and Corporate Governance Committee.
- Sustainability Committee.
- Chairperson of the Committee.
- Member of the Committee.

⁽¹⁾ As of 28 March 2023, his appointment as individual director is formalised in substitution of the legal entity director Theatre Directorship Services Beta, S.à.r.l.

Assessment and capacities of the Board of Directors

Pursuant to the recommendations laid down in the CNMV's Good Governance Code of Listed Companies and the Regulations of the Board of Directors of Naturgy, the quality and efficiency of the Board and of its Committees is assessed every year. Every three years, the assessment is carried out by an external consultant, whose independence is verified by the Appointments, Remuneration and Corporate Governance Committee.

In 2023, an external assessment process of the Board of Directors and its Committees was carried out by an external advisor of recognised experience.

As part of this assessment process, as well as a personal interview with the advisor, all Directors completed a series of questionnaires on the functioning of the Board and its Committees, in which they were asked to give their assessment on issues related to the structure of the board and its functioning, its work in supervising aspects such as internal audit, compliance, risks, or the monitoring of the company's strategic plan.

The process of evaluating and analysing the functioning and effectiveness of the Board was structured around the areas considered key by the external consultant, mainly those related to the structure and composition of the Board, the functioning of the Committees, the evaluation of the performance of the Chairman of the Board, the Chairmen of each of the Committees, the Coordinating Independent Director and the Secretary of the Board.

The assessment of each of the themes identified was addressed through a series of critical questions in the questionnaires submitted and in the individual interviews.

At its meeting held on 22 February 2024, the Appointments, Remuneration and Corporate Governance Committee agreed to implement over the course of 2024 some of the suggestions for improvement set out in the Assessment Report.

Diversity in the process of appointments and renewal of directors

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

Competence matrix

	Mr. Ramón Adell	Ms. Isabel Estapé	Mr. Enrique Alcántara	Mr. Jaime Siles Fernández Palacios	Ms. Helena Herrero	Mr. Javier de Jaime	Mr. Rajaram Rac	Mr. Francisco Reynés	Mr. Pedro Sainz de Baranda	Mr. Claudio Santiago	Ms. Lucy Chadwick	Mr. José Antonio Torre de Silva
Energy global trends/strategy/technology	■		■	■	■		■	■		■	■	
Infrastructure (investments in regulated environments)	■	■	■	■		■	■	■		■	■	■
B2C (customer experience and new services)	■				■	■			■			■
Operational excellence and processes optimisation	■				■			■	■	■		
Regulators/other public stakeholders relations	■	■	■	■			■	■			■	
International experience	■	■		■	■	■	■	■	■	■	■	■
Top management experience					■			■	■	■	■	
Accounting/Audit/Risk management	■	■	■	■	■	■	■	■	■	■	■	■
Corporate finance	■	■		■	■	■	■	■	■	■		■
Industrial and Energy technologies (Industrial Tech)								■	■	■	■	
Industrial and Energy technologies (Information Tech)					■			■	■	■	■	
Talent management and remuneration	■	■			■	■	■	■	■	■	■	■
Corporate governance and sustainability (ESG)	■	■	■	■	■	■	■	■	■	■	■	■
Climate change		■		■	■			■		■	■	■

Type of director

- Executive.
- Proprietary.
- Independent.

Experience

- Professional executive experience.
- Experience as a director or indirect executive experience.

Naturgy's Board Member Selection Policy, revised in February 2022, ensures that appointments are diverse and free from any implicit bias that could imply any discrimination, and does not exclude any candidate on the basis of ideology, religion, belief, ethnicity, race, nation, gender, sexual orientation, family situation, illness or disability.

As vacancies arise on the Board or as Directors' terms of office expire, and always with full respect for the shareholders' right to proportional representation, the company will deliberately seek and include among the potential candidates women who meet the professional profile sought, ensuring that the number of female directors is in line with the best practices established in both the CNMV's good governance recommendations and the European Directive on improving the gender balance among directors of listed companies and related measures. The Appointments, Remuneration and Corporate Governance Committee will implement measures to ensure that this is achieved and to encourage the appointment of a significant number of women managers in the company.

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

Breakdown of the Board of Directors by age (%)

	2023	2022
Under 55 years of age	25	25
Between the ages of 55 and 60 years	33	33
Over 60 years of age	42	42
Total (%)	100	100

Average remuneration of Directors (thousands of euros)

	2023		2022	
	Men	Women	Men	Women
Executive ⁽¹⁾	1,100		1,100	
Independent/Proprietary	236	251	238	253

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

Remuneration ratios within the organisation

	2023	2022
Ratio of annual total remuneration of the highest paid person in the organisation to median annual total remuneration of all employees ⁽¹⁾	86.7	89.7
Ratio of the percentage increase in annual total remuneration of the highest paid individual in the organisation to the median percentage increase in annual total remuneration of all employees ⁽¹⁾	0.6	N/A

⁽¹⁾ Excluding the highest paid person.

To calculate the ratio we take the fixed and variable compensation of all employees and countries in euros, calculate the median of the total annual compensation and calculate the ratio.

Remuneration model of the Board of Directors

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

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

The Board of Directors is responsible for determining the remuneration of each Director. For this purpose, it will take into account the functions and responsibilities attributed to each of them, their membership of Board Committees and any other objective circumstances it considers relevant. In this regard, the remuneration of Directors must maintain a reasonable proportion with the importance and economic situation of the company, and the market standards of comparable companies.

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

The Naturgy Directors' Remuneration Policy was approved by the General Meeting of Shareholders of the company, held on 15 March 2022, and is applicable to the same year in which it was approved and during 2023, 2024 and 2025. It establishes a remuneration framework aligned with the principles of Naturgy's Strategic Plan and aimed at promoting the long-term profitability and sustainability of the Company.

Specifically, the annual variable remuneration of those Directors who perform executive functions is linked to the achievement of a combination of pre-set, specific and quantifiable targets, aligned with Naturgy's corporate interest and strategy, such as economic-financial variables, efficiency and profitable growth, quality and safety issues, sustainability, environment or good governance. The detail of the components that make up the fixed and variable remuneration of the Directors is included in the Annual Directors' Remuneration Report 2023 as well as in Naturgy's Directors' Remuneration Policy.

General Meeting of Shareholders

In the 2023 Ordinary General Meeting of Shareholders, the Annual Report on the Remuneration of Members of the Board of Directors for 2022 was approved by a majority vote, as follows:

General Meeting of Shareholders

Number of shares that have cast valid votes	881,734,995
Total number of valid votes cast	881,734,995
Proportion of the share capital represented by valid votes (%)	56.42
Votes in favour (%)	62.05
Votes against (%)	3.99
Abstentions (%)	33.96
Quorum of attendance at the General Meeting of Shareholders (%)	91.85

The results of the vote can also be found on the company's website.

Issues dealt with at the General Meeting of Shareholders

The quorum of attendance at the meeting represented 91.9% of all Naturgy shares.

Naturgy's Board Member Selection Policy **ensures that appointments are diverse and free from any implicit bias** that could imply any discrimination.

Issue	Nature of the issue (economic, social or environmental)	Conclusions drawn
Approval of the Annual Accounts and Directors' Report of Naturgy Energy Group S.A. for the year ended 31 December 2022.	Economic	Approved by a majority
Approval of the Consolidated Annual Accounts and Directors' Report of the Consolidated Group for the year ended 31 December 2022.	Economic	Approved by a majority
Approval of the Consolidated Non-Financial Information Statement, included in the Consolidated Directors' Report of Naturgy Energy Group, S.A.	Social/Environmental	Approved by a majority
Approval of the allocation of profits for the year ended 31 December 2022.	Economic	Approved by a majority
Approval of management performed by the Board of Directors in 2022.	Economic/Social/Environmental	Approved by a majority
Consultative vote concerning the Annual Report on the Remuneration of members of the Board of Directors.	Social	Approved by a majority
Re-election of Mr. Francisco Reynés Massanet as Executive Director.	Social	Approved by a majority
Re-election of Mr. Claudi Santiago Ponsa as Independent Director.	Social	Approved by a majority
Re-election of Mr. Pedro Sainz de Baranda Riva as Independent Director.	Social	Approved by a majority
Authorisation to reduce the period for calling Extraordinary General Meetings, in accordance with Article 515 of the Corporate Enterprises Act.	Social	Approved by a majority
Information on the modification of the Board Regulations.	Social	
Delegation of powers to supplement resolutions of the General Meeting of Shareholders.	Social	Approved by a majority

4. Risk management

Risk management model at Naturgy

Naturgy's risk management model seeks to guarantee the predictability of the company's performance within a limited and acceptable range. The model quantifies the variability of performance and ensures that it is in line with strategically defined target levels in all aspects relevant to its stakeholders.

Essential elements of the risk measurement and management model include ensuring that relevant risk factors are correctly identified, assessed and managed. The ultimate aim is to ensure that the level of risk exposure assumed by Naturgy in the performance of its activities is consistent with the overall objective risk profile defined and with the achievement of the annual and strategic objectives.

The Integrated Risk Management and Control System is structured in the following sections:

- › **Risk Governance & Management:** risk governance and management mechanism for all types of risks and for all businesses.
- › **Risk Assessment:** methodology, procedure and process for identifying, evaluating and measuring risks.
- › **Risk Appetite:** definition of risk tolerance through the setting of limits for the most relevant risk categories, by nature of risk and by business according to objectives.
- › **Risk Reporting:** systematic reporting and monitoring of risk at different management levels: Business Units, Corporate, Audit and Control Committee and Board.

Risk management bodies

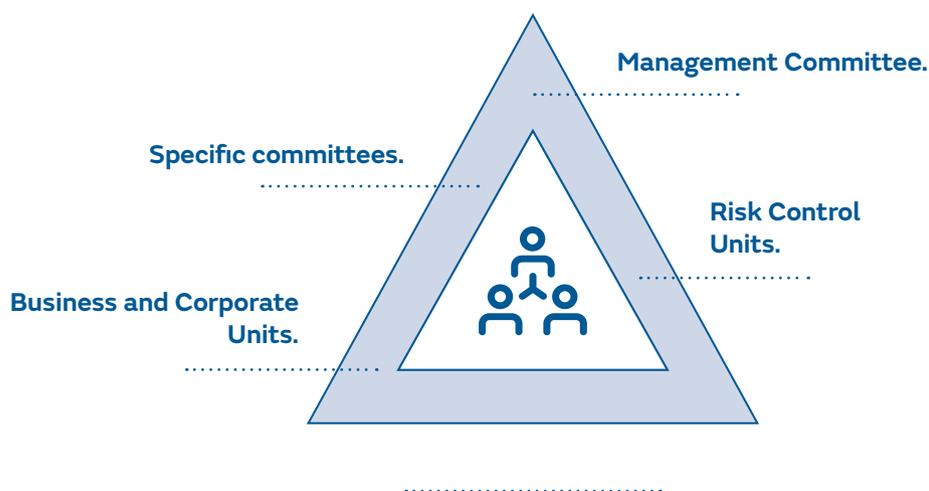
Naturgy has a framework that integrates the vision of governance, risks and compliance, enabling an integrated overview of the Group's processes, the existing controls over these and the associated risk.

To this end, it has different bodies, with clearly identified areas of responsibility, which increases predictability and ensures sustainability in the company's operational and financial performance.

Board of Directors

It is responsible for approving the Risk Management and Control Policy, the integrated Risk Appetite and overseeing the company's Risk Management and Control System.

By delegation, the Audit and Control Committee is the body in charge of supervising the Risk Management and Control System and the effectiveness of internal control, monitoring compliance with the Risk Management and Control Policy.



01. Management Committee

Responsible for implementing the Risk Control and Management model approved by the Board of Directors and disseminating the internal control culture. Proposes target risk limits to the Board for consideration and approval through the Planning, Control and Administration Unit.

02. Specific committees

They make sure that the organisation takes responsibility for identifying, assessing and managing risks. These include the Energy Balance Committee, the Risk and Commercialisation Committee, the Regulation Committee and the Ethics and Compliance Committee.

03. Risk Control Units

These functions are carried out in different units, notably Energy Planning and Risks in Business, and Planning, Control and Administration and Internal Audit in Corporate. Responsible for monitoring, managing and reporting the risk assumed and ensuring that the target risk profile and limits approved by the Board at the proposal of the Management Committee are maintained.

04. Business and Corporate Units

Responsible for risk management in their areas of responsibility, complying with the criteria established in the Global Risk Management and Control Policy. They report to the Planning, Control and Administration Unit for aggregation in the Corporate Risk Map, monitoring the risks in their area of responsibility.

In relation to the specific Committees, for different businesses and matters, the following stand out:

- › The **Energy Balance, Risks and Commercialisation Committee**, which is responsible for monitoring the evolution of energy commodities (gas, electricity, CO₂, etc.), the evolution of indices, as well as making purchase, sale or hedging decisions, which correspond to the management level;
- › The **Regulatory Committee**, which is responsible for monitoring regulatory initiatives, both nationally and internationally, and related decision-making, and
- › The **Ethics and Compliance Committee** which is responsible for supervising the operation of and compliance with the Criminal Prevention Model and the other compliance models adopted by the Naturgy Group. The committees described above are composed of members of the management committee and part of the management directly reporting to them.

The committees described above are composed of members of the Management Committee and other managers.

Units with a Risk Control function: A key task of the Risk Control function within each responsible business or corporate unit is the modelling of financial statements, aimed at identifying their main sensitivities and anticipating possible negative impacts and corrective or mitigating actions.

Of these units, which may be represented in the specific committees, the following stand out:

- › Risk and Energy Planning is responsible for controlling, managing and reporting the level of risk assumed within its business, as well as maintaining the target risk profile and limits.
- › Management Control, in the risk function, is responsible, among other things, for monitoring the risks reported by the rest of the company's units and preparing a global and integrated vision through the Corporate Risk Map.
- › The Internal Audit unit, as a third line, examines through appropriate audits the level of compliance with the Risk Control and Management Policy.

The **Business and Corporate units** will report to the Planning, Control and Administration Unit on the monitoring of the risks in their area of responsibility.

An integrated management

Naturgy analyses its global risk profile through its potential impact on its financial statements. This allows the company to determine the maximum accepted level of risk exposure, as well as the admissible limit for risk management.

The tools that enable the continuous improvement of the process for identifying, characterising and determining Naturgy's risk profile are the following:

- › **Global Risk Management and Control Policy:** last approved by Naturgy's Board of Directors in November 2020. Its aim is to lay down the general principles and guidelines on behaviour to guarantee the appropriate identification, information, assessment and management of Naturgy's exposure to risk.
- › **Follow-up of good practices** as set out in the ISO 31000 guidelines for risk management.



- › **Corporate Risk Map:** identifies and characterises the risks to Naturgy's performance take into account the characteristics of the position at risk (impact variables, potential quantitative and qualitative severity, probability of occurrence and degree of management and control). It is periodically updated and presented by the corporate Management Control unit to the Audit and Control Committee.
- › **Other risk maps:** promoted by Naturgy's Business and Corporate Units, at their discretion, in accordance and aligned with a common methodology, which serve as a basis for the Corporate Risk Map.
- › **Risk Measurement System:** the metrics used for risk assessment depend on the nature of the risks:
 - Stochastic/probabilistic: probabilistic simulation of price deviations for a confidence interval.
 - Deterministic/scenario: expected impact of the event by its probability scenario.
 - Heat maps: qualitative risk analysis by factor.
 - Non-financial stress tests: use of simulation to evaluate the response of assets, portfolios, or specific positions to adverse events that are not typically captured by traditional value or risk analyses. The objective is to assess the company's performance in scenarios involving exposure to non-financial risks, such as those related to climate change.

Risks categories

Naturgy has defined five typologies in its Risk Map: Economic, Financial, Operational, Reputation/Sustainability and Strategic.

The categories for each risk typology are:

Economic	Financial	Operators	Reputational/ Sustainability	Strategic
Commodity	Credit	Operational	Reputation and ESG	Long-term commodity exposure
Exchange rate	Interest rate	Security	Compliance	Capital employed by geography
Regulatory	Taxation	Business continuity and crisis management	Customer satisfaction	Businesses risk profile
Volume	Liquidity	Fraud	Climate change	Exposure to soft currency
Margin / Price	Rating	Cybersecurity		Exposure to merchant businesses
Legal	Provisions and guarantees	Data protection		
		Environment and biodiversity		
		Health and safety		

For economic and financial risk categories, the quantitative model type is applied, while for operational and reputational/sustainability risk categories, different risk assessment methodologies apply, depending on their nature, such as heat maps or the application of international risk assessment frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD), in the case of climate change-related risks, and, for biodiversity risks, the Task Force on Nature-related Financial Disclosures (TNFD).

Economic and financial risk typologies

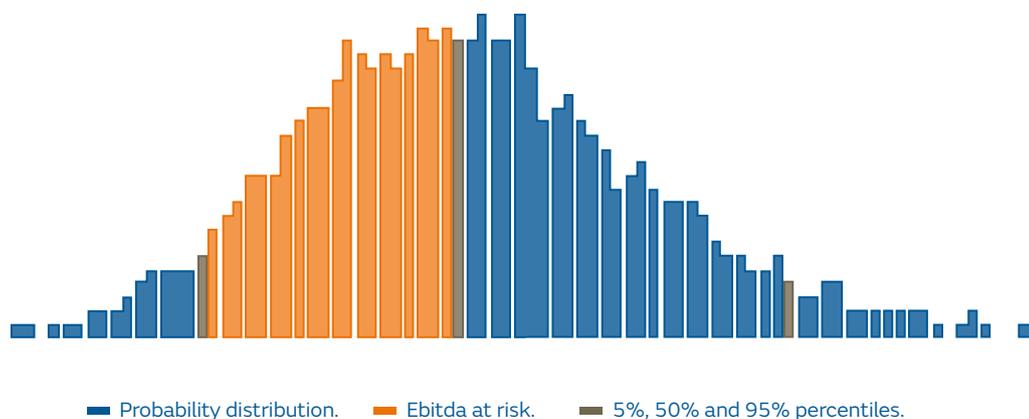
Risk factors with impact on business results and/or impact on the company's cash flow and balance sheet, caused by volatility of exogenous factors, modification of regulatory frameworks or variation of demand with impact on short-term results and by volatility of financial variables, potential impact of counterparties, modification of taxation frameworks or provisioning.

Commodity/exchange rate/interest rate risk

A random measure of the company's risk due to the variability of all energy and commodity and financial prices, such as the price of the currencies in which the company operates or the interest rates at which the company trades:

The risk or CFaR is calculated by taking the highest deviation at a predetermined confidence level of each of the market variables with respect to the reference scenario.

Graphical representation of the distribution of the company's annual Ebitda, its expected value and associated risk

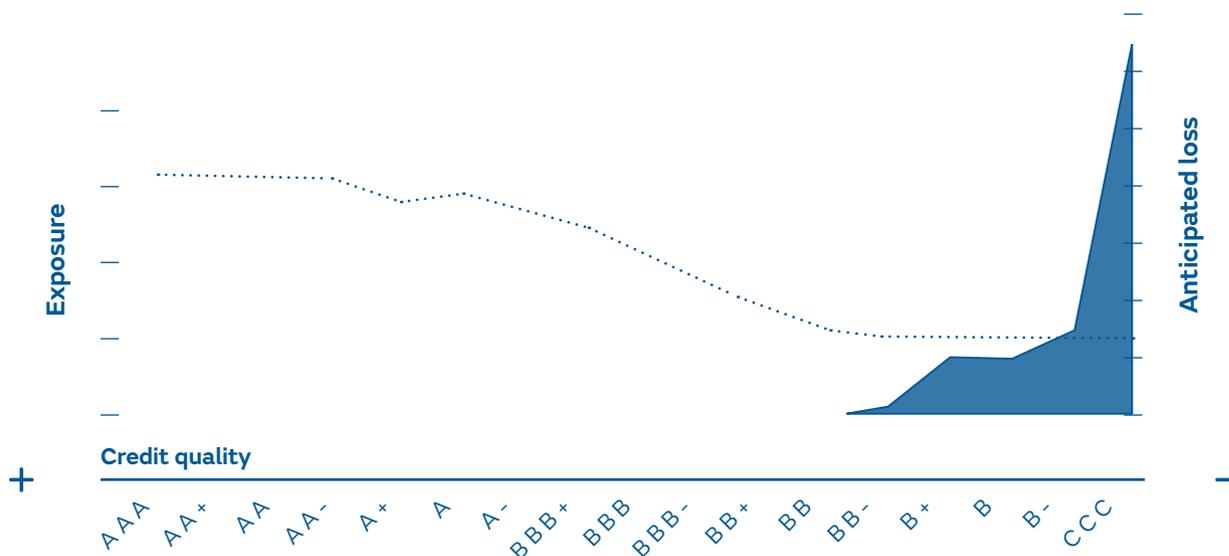


Naturgy's risk management model seeks to guarantee the predictability of the company's performance within a limited and acceptable range.

Credit risk

The minimum amount of capital required to be held by an entity as a proportion of its asset base to meet the potential for default and depreciation of assets, in accordance with regulatory agency standards. In Naturgy, the target credit risk profile and the target expected loss are calculated. Worse levels of credit quality mean the company's exposure has to be limited.

Distribution of the anticipated loss, which increases with the deterioration of customer credit quality.



Regulatory, volume, margin/price, legal and tax risks

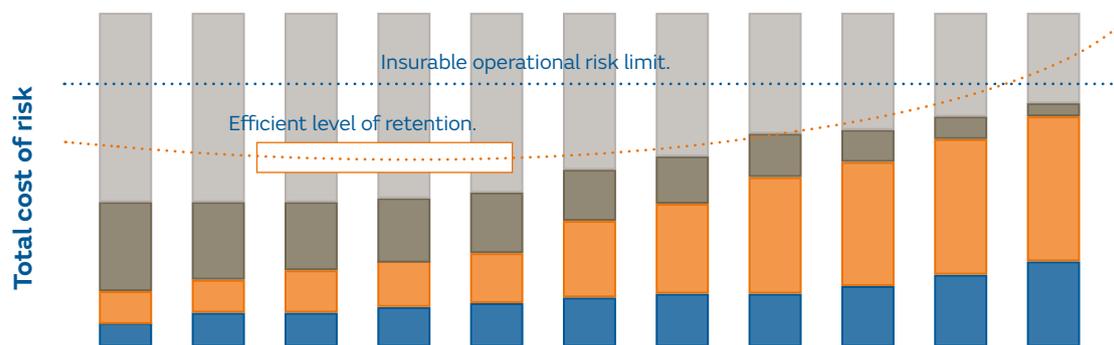
Measures that determine the company's risk, defined as the potential variation in result due to various factors: adverse evolution of demand because of changes in temperature and/or macroeconomic worsening of a country, adverse revision of the regulatory framework of a business, impact on taxes due to uncertainty regarding the acceptance of the tax treatment adopted in the tax returns filed or expected to be filed and uncertainty regarding the probable potential outcome of litigation, arbitration or legal claims filed against Naturgy.

Operational and reputational/sustainability risk typologies

Operational risk

Risk associated with accidents or fortuitous events affecting people and accidents, damage or unavailability of the company's operating assets, after the coverage by Naturgy's insurance program.

Its fundamental magnitudes with regard to management are the level of retention and the breakdown of overall costs associated with the risk: premium, expected loss and unexpected loss..



Retained risk for accident



Environmental and biodiversity risks

It is the possibility that, as a result of the activities carried out and due to the occurrence of some event, whether unforeseen, accidental, voluntary or involuntary, environmental limits set by the regulator are exceeded and/or damage is caused to third parties.

This risk includes, but is not limited to, those arising from non-greenhouse gas (GHG) emissions, noise, consumption and/or contamination of surface or groundwater, spills, soil contamination, poor waste management, impact on landscape, impact on cultural heritage, etc.

It also includes potential threats linked to the dependence of nature and the impacts generated on it. This includes, but is not limited to, physical impacts and impacts arising from changes in regulation, related to the destruction and/or alteration of terrestrial, aquatic and/or marine ecosystems, damage to protected or high value areas and/or species, encouraging the development of invasive species, impacts on areas of high water stress due to consumption, discharge and/or flow regulation and fires, etc.

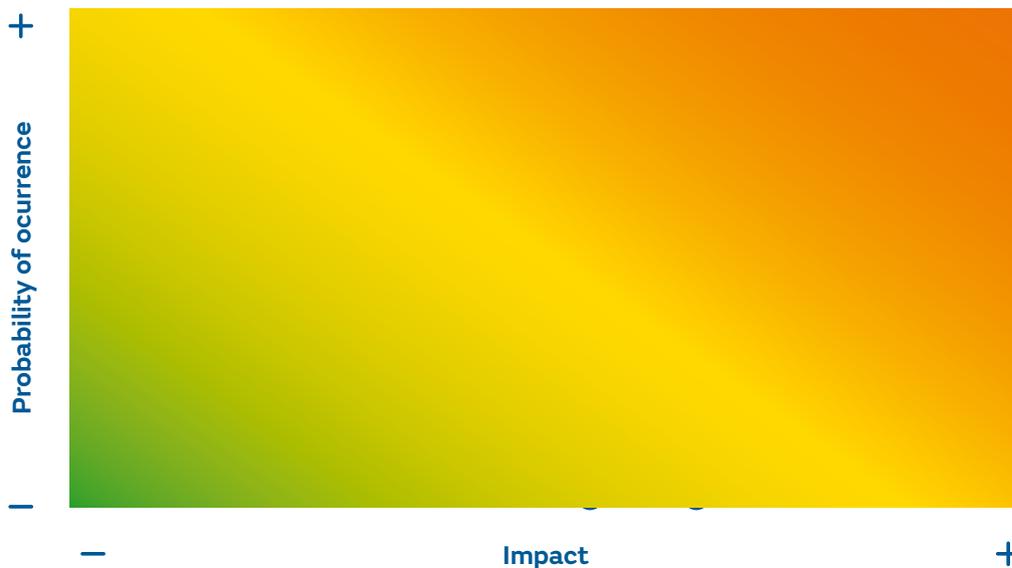
Naturgy has identified the environmental risks in its facilities by using the reference standard—UNE 150008 in Spain—as its basis. To prevent these risks, the company has introduced an integrated system of management which sets out the operational control and environmental management procedures. This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

Biodiversity risks are explained in more detail in the chapter “The opportunity of environmental challenges” in section Biodiversity and natural capital.

Risks involving security, business continuity and crisis management, fraud, cybersecurity, data protection, customer satisfaction, health and safety, compliance and people

The risk position is evaluated by means of heat maps, defining critical factors for each risk category, quantifying both the likelihood of occurrence and the impact of each factor, guaranteeing the homogeneity of the criteria used in their measurement.

Representative risk assessment figure



Reputational and ESG risk

The consideration of ESG factors and sustainability criteria in decision-making has taken on particular relevance in recent years. This risk includes uncertainty in the evolution of stakeholder perceptions of the company's reputation and its ability to develop sustainable business from an environmental, social and governance point of view.

Potential impact on business if not managed properly:

- › Lower profitability, both in terms of business and investment, in the medium and long-term.
- › Lower shareholder value.
- › Less sustainable development.
- › Negative social and environmental impact, along with a negative financial return.

- › Worsening competitiveness.
- › Worse assessment by analysts and investors.
- › Increased costs of funding.

Mitigation actions carried out by Naturgy:

- › Promote renewable energies, renewable gas and energy savings and efficiency as key elements towards a low-carbon model.
- › Offering solutions for cities and land and maritime transport that reduce emissions and improve air quality.
- › Innovate in technologies and business models that help reduce greenhouse gas emissions.
- › Supporting international climate change negotiations and market mechanisms that foster the development of the most appropriate technologies at each stage of the energy transition.
- › To develop products, services and projects aimed at the well-being of people and the economic progress of communities, offering solutions that mitigate the negative impacts that may occur in the energy transition and in contexts of energy price volatility.

Climate change risk

On the one hand, those resulting from physical impacts, due to the increasing severity and frequency of extreme events (acute) or from a gradual and long-term change in the Earth's climate (chronic). On the other hand, those arising from the introduction of policies and transition commitments to achieve a low-carbon economy through major regulatory, market or technological changes.

They are explained in more detail in the chapter "The opportunity of environmental challenges" in section Climate change.

Strategic risks

The strategic risks described below are considered the most significant emerging risks with potential long-term impact:

Long-term commodity exposure (uncertain macroeconomic context uncertainty)

The macroeconomic landscape of recent years has been profoundly altered by highly complex events such as the pandemic and the rise of geopolitical tensions both with Russia's invasion of Ukraine and more recently with the conflict between Israel and Hamas. This alteration in the socio-economic landscape highlights the volatility and uncertainty of a future that, far from cooling down, tends to become more uncertain and tense, whether due to the different international actors or to geostrategic conflicts (China and the West).

This situation has global repercussions, with one of the most affected sectors being the energy sector, with potential increases in the price of natural gas and oil, and extreme volatility in daily prices.

Naturgy monitors the state and evolution of the geopolitical situation through continuous monitoring of macroeconomic and business variables, in order to manage risks and implement the measures promoted by the authorities. To this end, analyses assess the indirect impacts of conflicts on business activity, financial situation and economic results, with particular attention to the across-the-board increase in raw material prices and, where appropriate, the reduced availability of material supplies from affected areas.

To mitigate the effects of higher energy prices, a significant part of the gas supply contracts that expire in the long term have entered the ordinary price review period. In addition, since last year the Group has had an Energy Balance, Risk and Commercialisation Committee in charge of monitoring the evolution of energy commodities and their indices.

Supply chain volatility and dependencies

We live in a globalised world with interconnected and interdependent economies. This creates a highly vulnerable situation in supply chains, especially due to dependence on single sources, long delivery times, environmental and ethical risks, among other threats.

Naturgy has interests in countries with different political, economic and social environments, highlighting three geographical areas outside the European Union: Latin America, Middle East-Maghreb and China-Taiwan

The Asian market is uncertainty factor given the current heavy dependence of the supply chains of processed renewable components on Chinese exports. On the other hand, interruptions in the supply chain of technology components to Europe, due to transport and distribution problems or direct import restrictions, could lead to increased material costs and/or delays in the start-up of ongoing renewable projects. These projects are necessary to maintain the strong growth of the company's investments in renewable energies foreseen in the approved Strategic Plan.

Naturgy has taken the following actions to mitigate the effects of this risk with our suppliers of photovoltaic panels, wind turbines and batteries:

- › Carefully selecting our partners (Tier 1).
- › Establishing medium-term contracts with our suppliers.
- › Reserving production capacity with our suppliers/partners.
- › Indexing contract prices to the evolution of raw materials such as steel and copper.

Likewise, at the end of the supply chain, a shortage of skilled labour is beginning to be detected among contractors. Accordingly, Naturgy has decided to take measures to ensure the construction of its facilities and thus avoid failure to meet deadlines, by ensuring the loyalty of engineering suppliers through, for example, the flexibility of contracts.

Main opportunities and uncertainties

At Naturgy we see the energy transition as an opportunity to transform the business and promote the changes needed to achieve a low-carbon economy. In this context, and based on the Strategic Plan 2021-2025, Naturgy's main opportunities are as follows:

- › **Focus on stable, low-risk, hard currency geographies** to capture energy demand growth and maximise business opportunities in new markets.
- › **Renewable generation:** increasing renewable generation capacity in line with the global energy transition.
- › **Network operation and growth,** leveraged on solid regulatory frameworks with long-term visibility and focused on continuous improvement, digitalisation and automation.
- › **New business developments and innovation:** development of innovation projects in hydrogen and its blending in gas networks, renewable gas, energy efficiency and sustainable mobility.
- › **Natural gas and LNG supply portfolio:** continuous review and optimisation of supply contracts, continuous risk management to ensure predictable cash flows, and adaptation of the LNG carrier fleet to enhance its flexibility.

5. Security and privacy

Privacy and security of personal data

Naturgy has defined a Personal Data Protection Policy that ensures proper processing of this data throughout its life cycle, from collection and processing through to removal.

This policy is communicated to all employees and is developed in a regulatory corpus aligned with all legal requirements, standards and internationally accepted best practices governing the processing of personal data. This policy applies to all organisational units and companies of the company that collect or process personal data, as well as to partners and suppliers that collaborate in such processing.

Naturgy complies with the provisions of Regulation (EU) 2016/679 of the European Parliament and the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and the free movement of such data, and with the provisions of Organic Law 3/2018, of 5 December, on the Protection of Personal Data and the guarantee of digital rights, as well as with the other provisions on data protection, to guarantee the protection of data of a personal nature of its directors, employees, customers, suppliers, shareholders, investors and other stakeholders.

Actions to comply with legislation

Naturgy, when it is the data controller, performs all necessary actions to comply with the legislation on data protection, which include the following, for merely illustrative purposes:

- › It processes personal data in a lawful, sincere and transparent manner.
- › It collects data for specific, explicit and legitimate purposes.
- › It minimises the data subject to processing.
- › It updates the data, providing data subjects with simple systems for this update.
- › It limits the data storage periods.
- › It applies appropriate technical and organisational measures to guarantee the security, integrity and confidentiality of the data.
- › It obtains the consent of the data subject for processing whenever necessary.
- › It introduces simple and adequate mechanisms so that the data subject, directly or through their legal or voluntary representation, can exercise their rights pursuant to prevailing legislation.
- › It chooses data processors that offer sufficient guarantees to apply appropriate technical and organisational measures so that data processing is carried out in compliance with the requirements of relevant legislation. In addition, it signs agreement with these data processes through which the data processor will only process data in accordance with the instructions given by the data controller, and will not apply the data or use them for any purpose other than the one set out in this agreement, and will not disclose them, even for safeguarding purposes, to third parties.
- › It keeps a record of data-processing activity.
- › It carries out the impact assessments it deems appropriate.
- › It has a collegiate body that acts as Data Protection Officer.
- › It performs audits to guarantee compliance with data protection regulations.
- › It includes specific guidelines for action in the field of information and knowledge processing in the Code of Ethics. In this regard, all Naturgy employees and suppliers must comply with the legislation in force in each of the countries in the field of data protection, respecting the right to privacy and protecting the personal data entrusted by its customers, employees, suppliers and external collaborators or other persons. Failure to comply with the Code of Ethics may result in the application of appropriate sanctions.

In 2023, Naturgy received 110 requests for information from the Spanish Data Protection Agency, all of which were duly dealt with and, at the date of writing this report, none of them had resulted in a sanction.

	2023	2022
Requirements received from the Spanish Data Protection Agency (AEPD)	110	73

In relation to the evolution of the indicator of requirements received by the Spanish Data Protection Agency (AEPD), it is noteworthy the increase it has been experiencing in recent years, as a result of the increase in Naturgy's commercial activity and the higher level of awareness and awareness of the public in matters of personal data protection.

Pursuant to Article 32 of the General Data Protection Regulation (GDPR), which addresses security measures and technology, Naturgy adopts the technical measures designed to safeguard the security of personal data and to prevent them from being altered, lost, or being processed or accessed in an unauthorised way to guarantee the confidentiality, integrity and availability of the data.

According to this regulation, personal data shall be collected for specified, explicit and legitimate purposes and shall not be further processed in a way incompatible with those purposes. Naturgy processes the personal data of data subjects in compliance with current data protection legislation, and therefore does not process personal data, whether for primary or secondary purposes, without an adequate basis of lawfulness for each purpose.

In addition, there are procedures for updating and correcting new vulnerabilities of systems, to propitiate better proactive conduct in the prevention of security incidents, and in the analysis and management of information security risks.

Cybersecurity

Cybersecurity Governance/IT Security

The increase in risks and threats, as well as the fact that, in Spain, the infrastructures managed by the company are considered critical, make cybersecurity management a priority issue. In this regard, Naturgy has a global cybersecurity governance system for the entire organisation.

This matter is supervised by the Board of Directors, whose directors have profiles and knowledge in the information technology sector, which favours an overall view of these matters.

Cybersecurity is managed transversally throughout the organisation through the corporate function (Global Head Chief Information Security Officer), responsible for ensuring the correct strategic alignment of the policies and regulations applicable in each of the businesses, which in turn have specific cybersecurity officers (Business Information Security Officers). The corporate cybersecurity function is spearheaded by the Chief Information Officer, who is part of Naturgy's Management Committee.

Naturgy uses the BitSight Index, which allows organisations to examine their cybersecurity and compare it with that of other companies to determine the level of performance in this area. This indicator is changing the way organisations manage their information security by providing objective, verifiable and actionable security scores. In 2023, Naturgy obtained an average score of 780 on this index, which is based on a scale of 250 to 900, with 250 being the most basic and 900 the most advanced.

Finally, Naturgy maintains relations with third parties in the field of cybersecurity, such as the National Institute of Cybersecurity or the European Commission, participates in sectoral forums and collaborates with companies in the sector or others engaged in providing cybersecurity services.

Cybersecurity measures

Naturgy has an updated Cybersecurity Plan in accordance with the latest requirements and threats in this area. This plan seeks to increase the prevention, protection and investigation of cyber-attacks and, accordingly, to strengthen the company's resilience in digital environments in order to ensure the protection of all Naturgy's information assets. The plan is globally applicable and is based on three fundamental pillars: people, processes and technology.

One of the company's objectives is to align its own requirements with regulatory requirements. For this, Naturgy has a body of regulations that establishes the basic lines of action that must be complied with by employees in terms of information security. These regulations are updated periodically and a series of international standards and good practices, such as ISO 27001, NIST SP 500-53 or ISA 62441, are used as a control framework.

In order to integrate cybersecurity into projects from the early stages, Naturgy has a technical office of security projects that helps to include cybersecurity from the conceptualisation and design of projects. In this way, security baselines are defined based on international standards and best practices, such as ISO 27001, NIST SP 500-53, ISA 62441 or CCSA (Cloud Certification).

As regards cyber intelligence tasks, Hunting teams and CyberSOC (Security Operations Centre) have continued to integrate new sources of cyber intelligence, as well as new use cases aligned with the MITRE Matrix, enabling early detection. In addition, and as a final step in this process, the company has defined a protection plan, consisting of the mitigation of those use cases that could be exploitable on its infrastructure, thus guaranteeing the minimisation of potential damages.

In addition, roles and responsibilities have been assigned in a global incident response plan—aligned with the crisis management plan—and end-user protection tools have been deployed. The capabilities of the threat hunting team, which analyses the environment, identifies new attack trends and thus enriches SOC's capabilities, have also been expanded.



Moreover, Naturgy proactively performs, with the support of leading third parties in cybersecurity, periodic attack simulation exercises to prevent and resolve potential vulnerabilities and certify the robustness of the company's processes and systems.

Regarding the extension of the principles to the supply chain, Naturgy establishes cybersecurity criteria that are required in the processes of procurement or contracting third party services, and a qualification assessment system is being implemented for the main suppliers that process company information.

Process and infrastructure

In the event of a cyber incident, and depending on its level of criticality, Naturgy mobilises and executes the appropriate levels of response, thus limiting its impact on the Group, the value of the share, service provision and customer confidence. It is worthy of mention that there have been no infrastructure incidents during 2023 that prevented business continuity.

Naturgy has an incident response procedure that determines how to execute the global coordination of cybersecurity incidents based on the nature and criticality of the incidents that are managed, both locally and globally.

The procedure is based on the incident management documentation developed by NIST (National Institute for Standard and Technology - Special Publication (SP) 800-61).

In addition, the company has a Crisis and Technological Continuity Plan, which regulates the mechanisms to be implemented in the event of a serious security incident. These mechanisms help maintain the service level within predefined limits, establishing a minimum recovery period, analysing the results and reasons for the incident, and thus avoiding the interruption of corporate activities. The plan mitigates the financial impact and loss of critical information, as well as the reputational aspect.

Likewise, Naturgy carries out annual:

- › Cybersecurity incident response simulation exercises for each of the geographies and businesses.
- › Audits of the information systems infrastructure and information security management systems carried out by an external company in connection with the audit of accounts.
- › A critical infrastructure applicability statement in line with the 2022 NIS2 Directive and the National Security Scheme (NSS).
- › A cyberassessment for each business and geography, which allows the company to evolve its level of maturity year after year, proposing and executing new lines of improvement.
- › Technical audits of the main suppliers.

More specifically, the Group conducts monthly vulnerability analyses of cybersecurity measures through various practices and tools such as vulnerability scanning (VTS) on the infrastructure, Pentest and Pentera runs, or the development of the "Crash testing" methodology.

Protection of strategic assets at Naturgy

Throughout 2023, the corporate Security and Cybersecurity units have monitored and supervised the processes established to protect their critical infrastructures, performing actions for the review/updating of applicable documentation, managing the incidents detected and maintaining dialogue with public and private bodies involved in these infrastructures.

During 2023, there have been no incidents of non-compliance with the Group's regulations.

Integrity of gas supply infrastructure

	2023					2022				
	Spain	Argentina	Brazil	Chile	Mexico	Spain	Argentina	Brazil	Chile	Mexico
Cast iron or puddled iron distribution pipes (%)	2	0	1	0	0	2	0	2	0	0
Unprotected steel distribution pipes (%)	0	0	5	0	0	0	0	5	0	14
Gas transmission pipelines inspected (%)	100	100	47	0	0	100	100	36	0	N/A
Gas distribution pipelines inspected (%)	50	74	89	0	100	49	80	68	7	89

NB: no data available for Chile.

Among the efforts made by the company to manage the integrity of the gas supply infrastructure, the actions carried out in Brazil and Mexico in recent years stand out:

- › Creation of an instrumented inspection plan in transmission networks.
- › Creation of maintenance plans for analysis of coatings in transmission and distribution networks.
- › Creation of leak detection plans in distribution and transmission networks.
- › Periodic monitoring of the cathodic protection system through a remote management system.
- › Follow-up of maintenance indicators through periodic meetings.

Nuclear power stations

Naturgy owns a percentage of several operational nuclear power stations in Spain and the José Cabrera nuclear power station, a facility that operated between 1968 and 2006 and is currently in the decommissioning phase managed by the public company ENRESA.

In addition, Naturgy has the following ownership in the Almaraz I and II and the Trillo nuclear power stations:

— Nuclear power stations

Unit	Thermal power (MWt)	Ownership (%)
Trillo	3,010	34.5
Almaraz I	2,947	11.3
Almaraz II	2,947	11.3

In November 1999, the companies owning the Almaraz and Trillo nuclear power stations set up the Economic Interest Group known as Centrales Nucleares Almaraz-Trillo, A.I.E. (CNAT), for the integrated operation, management and administration of both plants, maintaining unchanged their ownership stakes in each of them.

Due to the percentage of ownership of the nuclear power stations, Naturgy does not have direct responsibility for operational management.

The production of electricity in nuclear power stations is a highly regulated activity. There are numerous national and international bodies working together with operators to define and implement effective management models that make this form of energy production a benchmark in terms of safety, reliability and respect for people and the environment.

Naturgy participates, either directly or indirectly through the coordination organisation of Spanish nuclear operators in the Nuclear Energy Committee, in international organisations of recognised prestige in the nuclear field, as well as in various national forums related to nuclear R&D, in order to ensure excellence in the operation of these assets and to guarantee the production of electricity with high levels of safety.

No other considerations should compromise the security of the company's facilities. The company model that CNAT includes and which is shared by Naturgy, is aimed at ensuring the fulfilment of its mission through values shared by all the people who work for these power stations, which are materialised in certain behaviours in their day-to-day activity. CNAT's mission, like Naturgy, is to produce electricity in a safe, reliable, economic and environmentally friendly manner, guaranteeing production through the optimal operation of the Almaraz and Trillo power stations. CNAT's vision is to place the Almaraz and Trillo power stations among the benchmark facilities in terms of safety, quality and

costs, by means of a management model in which the development and participation of people makes it possible to achieve higher levels of safety, productivity and efficiency. To achieve this Mission and move towards the horizon established by its Vision, CNAT develops its strategy around the following strategic pillars:

- › Safety
- › Operational efficiency
- › Long-term reliability and operation
- › Organisational excellence
- › Nuclear professional

Regarding “Safety Culture” CNAT assumes the IAEA definition of Safety Culture as the assembly of characteristics and attitudes in organisations and individuals which establishes that, as an overriding priority, nuclear power station safety issues receive the attention warranted by their significance. To reinforce this, CNAT develops a Safety Culture Programme that includes periodic external and internal assessments, with a methodology that allows the state of the safety culture in the organisation to be diagnosed.

In terms of quality, the commitment shown by CNAT is intrinsic to all its activities and is the main source of trust with owners, social environment, workers and collaborating companies. Since 1995, CNAT’s commitment to quality has been recognised by the Spanish Association for Standardisation (AENOR) through the awarding of the official certificate proving that our Quality Management System complies with the UNE EN ISO 9001 standard for the production of electricity from nuclear energy. CNAT voluntarily requests international assessments to know the degree of excellence of the organisation, such as the WANO Technical Support Mission (TSM) or the INPO Technical Exchange Visits (TEV), in which specific aspects with reference to the best practices of the industry are evaluated.

CNAT is also committed to respecting the environment and has received the ISO 14001 Environmental Management certificate, which proves the conformity of CNAT’s environmental management system with the requirements established by AENOR. On the other hand, the environmental policy drives the application of the Environmental Management System and the continuous improvement of its performance, reflecting the Management’s commitment and constituting the guiding principle from which the annual programmes of objectives and, in general, all the company’s activities in relation to the environment originate.

6. Integrated and responsible management

Integrated management system

For years, Naturgy has had an integrated quality, environment, health and safety management system (IMS), certified according to the requirements of the ISO 9001, ISO 14001 and ISO 45001 standards. This system is audited externally every year. In 2023 these audits were conducted by AENOR and TÜV Rheinland for all businesses.

The scope certified by this system is the management of:

- › Electricity generation (thermal, hydraulic and renewable sources origin).
- › Distribution of natural gas and electricity.
- › Commercialisation of natural gas and electricity.
- › Development and execution of engineering projects.
- › Energy management in organised Iberian electricity markets.
- › Corporate training activities.

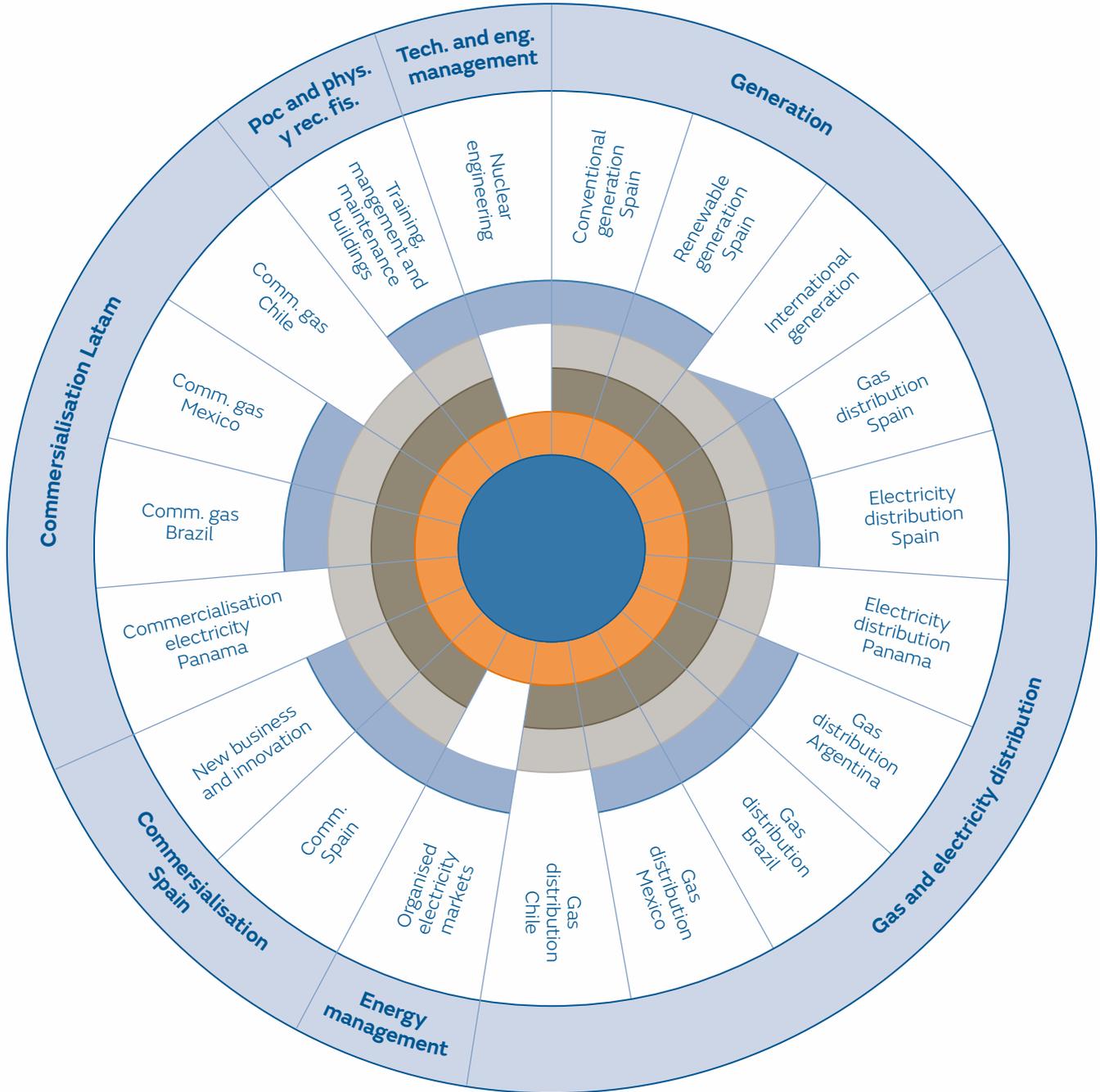
As part of the IMS, the Healthy Organisation Integrated Management System AENOR also audits and certifies annually the units in Spain, Argentina, Brazil, Chile, Mexico and the Dominican Republic, in accordance with the Healthy Organisation Model.

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

Naturgy has had an **integrated** quality, environment, health and safety **management system** (IMS).

Quality, environment and health and safety certifications

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- Quality (ER) · ISO 9001.
- Environment (EM) · ISO 14001.
- Health and Safety (OSH) · ISO 45001.
- Healthy Organisation (HO) - Healthy Organisation Model.

7. Supply chain

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

Suppliers are selected through objective and impartial assessment mechanisms, which ensure that the supply chain complies with the principles set out in the Supplier Code of Ethics. All suppliers must adhere to this Code and its content stems from Naturgy's Code of Ethics, Human Rights Policy, Health and Safety Policy, Environmental Policy and Anti-Corruption Policy, as well as internationally recognised principles of good governance.

This is because the risks to the company extend beyond its activity, as it can be severely impacted by an inadequate activity by its suppliers and contractors in terms of the environment, health and safety, human rights, labour practices or corruption. The management of these risks is included in the global supply chain management model which is based on the assessment of the risk factors intrinsic to the outsourcing of a service or the supply of a product. This allows us to put in place controls to minimise risks and to ensure a level of compliance by suppliers that is equivalent to the requirements that the Group satisfies in the activities it performs internally.

The company performs the procurement of works, goods and services, as well as the assessment, monitoring and development of suppliers in accordance with the general principles established in its policies, rules and procedures, ensuring a uniform, efficient and sustainable model that goes beyond regulatory compliance with legislation.

Naturgy's commitments in relation to its supply chain are as follows:

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

Naturgy suppliers according to the nature of their activity

In 2023 the total amount awarded to suppliers was Euros 2,802 million. These data include information from Argentina, Australia, Brazil, Chile, Costa Rica, the Dominican Republic, Israel, Italy, Mexico, Panama, Spain and the USA. The remaining data and indicators of the supply chain that appear in the report do not include information on the Renewable Business in the United States, Dominican Republic, Italy, Brazil, Chile and Israel, countries corresponding to new Businesses and representing 16.04% of the total volume awarded, nor that for the last four months of the year for the Spanish Gas Networks Business, due to the lack of detailed information due to the implementation of a new computer system and representing 0.36% of the total awarded.

Approximately two thirds of the overall amount awarded corresponds to service suppliers that fundamentally take part in the following business areas:

- › Development and maintenance of grids, both natural gas and electricity.
- › Construction, operation, maintenance and material supply of power stations.
- › Commercial management services.

The remaining third corresponds to suppliers providing complementary support services to the general activity. This activity was carried out mainly in Argentina, Australia, Brazil, Chile, Mexico, Panama, Spain and the USA, and to a lesser extent in Costa Rica, the Dominican Republic, Israel, Italy and the USA.

In 2023 Naturgy established business relationships with a total of 5,678 suppliers.

Management of the supply chain

Purchasing Model

The Purchasing and Supplier Management model introduces a management process with unified and overarching criteria for Naturgy's entire scope of operations. Key processes of these functions are centralised ensuring a global coordination that makes it possible to identify improvement opportunities.

The company supports the generation of positive social impact by promoting the contracting of suppliers from the country or region where the activities are carried out, preserving the Group's reputation and ensuring Naturgy's sustainable principles of action in the purchasing and procurement processes.

The levers and measures that activate Naturgy's purchasing model are the following:



Activators

Naturgy's Policies and Codes

- › Corporate Responsibility Policy.
- › Human Rights Policy.
- › Anti-Corruption Policy.
- › Purchase Policy.
- › Suppliers Policy.
- › Code of Ethics.
- › Supplier Code of Ethics.



Preventive

Naturgy Standards and Procedures

- › Supplier tree according to risk level.
- › ESG risks matrix.
- › Supplier classification.
- › Approval of suppliers.
- › ESG Scoring.
- › Reputational and economic-financial analysis.
- › ESG audits.
- › Environmental Questionnaires.
- › Performance monitoring.
- › Development of suppliers.
- › Reputational monitoring of suppliers.
- › Inclusion of the climate change variable in suppliers.



Corrective

Naturgy Standards and Procedures

- › Audit corrective action plan.
- › Performance monitoring corrective action plan.
- › Revoke classification or approval of suppliers.
- › Termination of contracts or reduction of suppliers' workload.

Elements to be highlighted in the management of the Naturgy supply chain

Corporate Responsibility Policy	It establishes commitments, actions and indicators for the responsible management of the company's supply chain.
Supplier Code of Ethics	Since 2016 all group suppliers have to adhere to the Supplier Code of Ethics.
Human Rights Policy	Naturgy's Human Rights Policy extends to the Supplier Code of Ethics. The assessment of suppliers includes issues related to human rights practices that are used to exclude suppliers in the event of an unsatisfactory response. In 2023, no breach of human rights at suppliers was detected.
Transparency in purchases and communication with suppliers	In terms of procurement, Naturgy is committed to ensuring free competition, objectivity, impartiality, transparency and traceability throughout the procurement process: <ul style="list-style-type: none"> ▶ The use of secure electronic means for management of all tenders brings greater transparency to the procurement process and ensures information traceability. ▶ Communication channels with the supplier that facilitate access to all the information necessary for their participation in the procurement processes: <ul style="list-style-type: none"> ▪ A specific section for suppliers on the Naturgy website. ▪ The Supplier Portal, an online platform for transferring technical regulations to the supplier, notifying updates and managing orders. ▪ The Supplier Channel is the online tool available to the supplier to sort out any doubts or incidents or for any queries or suggestions.
Reporting channel	All suppliers, contractors and external collaborating companies can contact the Ethics and Compliance Committee of the company through the web channel published in the Naturgy Supplier Code of Ethics.



Measuring the carbon footprint in the supply chain

In terms of environmental sustainability, Naturgy has decided to go a step further by applying, from 2022 onwards, a new criterion in procurement processes which includes a progressive assessment of the measurement of the carbon footprint of its suppliers in the bidding process as well as a performance assessment of the companies it works with.

In 2023 it became mandatory to have a carbon footprint certificate in tenders for services or products with a high risk of climate change or with a large volume of purchases. In addition, for the remaining tenders, the possibility of voluntarily including a certificate verifying the measurement of its carbon footprint by an accredited entity as part of its technical offer is maintained, and that this is positively valued by Naturgy in the award decision.

In addition, since January 2022, Naturgy contractually requires that certain suppliers, depending on their risk derived from climate change or the amount of the contract for which they bid, report annually to the company on their degree of performance in climate matters through the completion of the CDP Supply Chain questionnaire.

In 2023 it **became mandatory** to have a **carbon footprint certificate** in tenders for services or products with a high risk of climate change or with a large volume of purchases.

Supply chain management process

In order to promote responsible management in the supply chain, Naturgy establishes a procurement process that aims to meet the needs of goods and services efficiently. It covers all stages of procurement, from identification of the need for a good or service to the follow-up of the management of contracts or orders.

Procurement is based on unified and universal contractual conditions for the entire scope of the Group's activities, which include, among others, social, labour practices and human rights clauses, environmental requisites, anti-corruption clauses and ethical practices. 100% of contracts to suppliers based on the single contractual model include such clauses. The general terms and conditions of contracting and the country specific conditions are published on the relevant Group websites.



Policies and procedures for supervising the management of subcontracted activities

Lines of action	Description
Global Outsourcing Policy	It sets out the general principles which have to be applied to all awarding or procurement of works, goods and services carried out by the Group, guaranteeing a uniform, efficient and quality model for managing the procurement process.
Global Suppliers Policy	<p>It represents the principles of the processes of assessment, approval, monitoring and development of suppliers. It guarantees sustainable management of the supply chain, identifying and assessing risk factors, evaluating suppliers and ensuring compliance with Naturgy's corporate social responsibility commitments.</p> <p>General principles include promoting responsible supply chain management and ensuring the Group's sustainability principles in purchasing and contracting processes. In particular, in environmental, social and good governance matters, we guarantee ethical behaviour and human and labour rights, transparency, full and fair opportunity, respect for the interests of stakeholders, respect for the principle of legality and international standards of behaviour, focus on needs, integration and continuous improvement, among others.</p>
Counterparty Due Diligence Procedure	It is designed to cover the main legal and reputation risks involved in business relations with third parties, and, in particular, covering misconduct associated with the risk of corruption.
Bidding process	It includes the commitment to the fight against climate change among the aspects to be assessed in the selection of bids in order to identify the risks derived from climate change in Naturgy's supply chain and to strengthen the knowledge and evaluation of supplier performance in terms of climate change.

Risk management of the supply chain

The process of global supply chain management is based on the assessment of risk factors that are intrinsic in outsourcing a service or supply of a product. This allows us to put in place controls to minimise risks and to ensure a level of compliance by suppliers that is equivalent to the requirements that the Group satisfies in the activities it performs internally.

With the risk assessment of the 348 purchase categories that are managed worldwide, and after assessing the risks of 50 countries where the company usually contracts, we obtain the risk of each purchase category in accordance with its activity and the country where the activity is conducted.

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

The supplier evaluation, monitoring and follow-up processes take into account the specific risks of the energy sector (labour situation, human rights, emissions, pollution potential, etc.), the specific risks of the supply (labour situation, resource intensity, emissions, pollution potential, etc.), as well as the risks of the country in which the supply takes place.

The company considers as critical suppliers those suppliers with a high level of risk in any of the assessed risk factors associated with the purchase categories they supply (Operational, ESG, Health and Safety, and Quality). Also included as non-substitutable critical supplier are technologists or suppliers of products or services that cannot be supplied by others or cannot be substituted, with which specific contractual conditions are established and validated by the specialised areas (Legal, Compliance, Cybersecurity, etc.) and which exceed Naturgy's Single Contractual Model.

Risk factors

- › **Health and Safety Risk:** potential risk of incorrect performance or failure of the service/product and the impact it would have on the life or physical integrity of people.
- › **Quality Risk:** impact if the supplier fails to comply with the expected or agreed quality levels, which could lead to service/product failures, delays in execution or delivery times, increased costs or low customer satisfaction.
- › **ESG Risk:** existing risk of purchasing products and/or contracting services that are not environmentally friendly, which are manufactured or generated under socially unfair conditions, or using labour practices that are ethically incorrect.
- › **Climate Change Risk:** potential impact resulting from exposure to climate on lives, livelihoods, health and well-being, ecosystems and species, economic, social and cultural assets, and services and infrastructure, relative to the capacity to mitigate or respond to such adverse effects.
- › **Legal Risk:** possibility of infringements and breaches by suppliers of laws, rules and practices that apply to them. To contract a supplier and for the contractual term, it is compulsory to prove compliance with the remuneration, tax and workers' rights obligations, as well as to provide the civil liability coverage required in accordance with the product or service contracted for which vicarious liability may be claimed.
- › **Reputational Risk (Compliance):** potential reputational damage that could result from the perpetration of a fraudulent or anti-competitive act by a supplier, contravening the ethical standard of compliance established in the Naturgy Supplier Code of Ethics.
- › **Financial Risk:** economic impact on operations that may be incurred by the Group in its service to customers as a result of a lack of continuity in supply or the deterioration of a good or service by suppliers that have been awarded contracts.
- › **Cybersecurity Risk:** risk inherent in the processing of information assets, knowledge or data that are of value to the Group and that could result in the failure of strategic infrastructures, leakage of confidential information, or technological and telecommunications interruptions.
- › **Data Protection Risk:** risk to the rights and freedoms of natural persons arising from the processing of personal data and which may cause physical, material or immaterial damage.

— Risk Map



Legal Risk

In 2023, the number of suppliers with a valid contract in critical activities was 1,422, representing 60.4% of the purchase volume. In addition, the company has identified 42 non-tier 1 critical suppliers (those who render services and/or provide products in tier 2 or above levels of the value chain), mainly corresponding to purchase categories of critical products that represent 0.87% of the overall purchase volume.

Naturgy assesses the ESG risk using a matrix that takes into account 20 environmental, social and good governance aspects of each of the purchasing categories and countries in which it operates.

Workers' rights are one of the aspects taken into account in the risk assessment. This aspect covers the following issues: work and free choice of profession or trade, freedom of association, collective bargaining, collective action, strike action, assembly, information, consultation and participation in the enterprise. In addition, the Supplier Code of Ethics sets out specific guidelines to be followed by suppliers in relation to, inter alia, freedom of association and collective bargaining. 96.37% of the purchase volume awarded by Naturgy has the acceptance of the supplier's code of ethics.

Process map and sustainability criteria included in the ESG risk matrix



Risk Factors

Environment

- › Climate change.
- › Pollution.
- › Biodiversity.
- › Water.
- › Soil.
- › Landscape, Territory, Heritage.
- › Consumption of resources.
- › Waste.



Risk Factors

Buen Gobierno

- › Fraud.
- › Corruption.
- › Competition.
- › Terrorism.
- › Professional ethics.
- › Regulatory compliance.



Risk Factors

Social

- › Community well-being.
- › Human Rights.
- › Employee rights.
- › Data protection.
- › Safety and quality of products.
- › Freedom.



ESG Risk Map

(activity/country)

.....

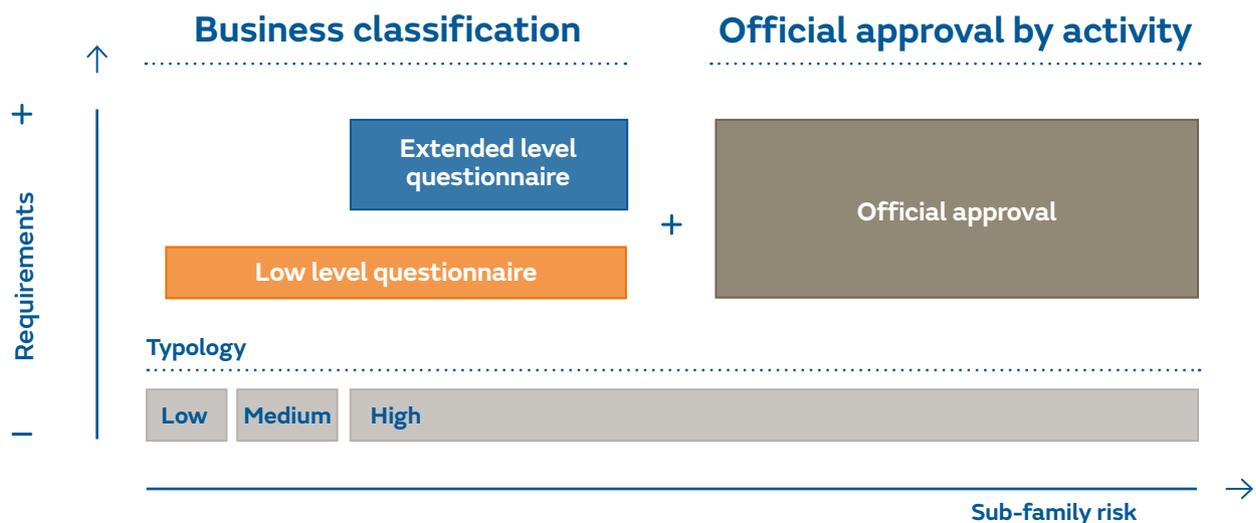
High level / Medium level / Low level

In this way, Naturgy identifies the suppliers with high risk in sustainability, considering those that reveal a high risk level in the Health and Safety and ESG factors. In 2023 the number of suppliers in this category was 602, representing 44.5% of the total purchase volume. 97.01% of these suppliers present a high Health and Safety risk as this is the predominant factor due to the nature of the activity carried out by Naturgy, construction, operation and maintenance of natural gas grids, electricity grids and power stations.

Supplier assessment process

Supplier assessment consists of business classification and approval processes by activity.

Risk map by purchase category



Business classification of suppliers

Based on the evaluation of compliance at company level with Naturgy's requirements in the different risk factors through questionnaires and requests for evidence from suppliers using the Achilles-Repro platform, whose assessment is based on the standards and methodology defined by the community of utilities in southern Europe and South America. All suppliers must pass this process before maintaining commercial relations with Naturgy.

The supplier business classification model establishes:

- A basic level for suppliers with medium and low risk that ensures their adherence to the Naturgy's Supplier Code of Ethics and the declaration of compliance with the main legal, tax, organisational, environmental, social, health and safety, cybersecurity, compliance, quality and personal data processing criteria required by Naturgy.
- An extended level, for high-risk suppliers, which additionally requires an extended questionnaire and evidence of financial, sustainability, health and safety, and compliance information.

The company classification process also obliges all suppliers to declare compliance with minimum social, health and safety and labour practice requirements, and the abolition of traditional and emerging practices of forced labour and child labour.

Suppliers who do not answer satisfactorily to the minimum requirements will be considered unsuitable to work with Naturgy.

In 2023 Naturgy has conducted the ESG assessment of 5,837 suppliers, including potential and active ones. The latter have to be assessed on an annual basis.

The result of the process shapes a suppliers tree in which they are classified in accordance with the categories for which they are able to supply services or products, and according to the associated risk level. The weight of sustainability issues raised to high-risk level suppliers during the business classification process represents 67.3% of the total and compliance and cybersecurity issues represent an additional 15%. The social factor takes into account not only the social aspects characteristic of the supplier's activity or product (community well-being, human rights, workers' rights, data protection, product safety and quality, freedom), but also the country risk where the work is carried out. Failure to comply with the established social minimums may be grounds for exclusion of the supplier.

In the countries of the Group with the supplier classification model implemented through the Achilles platform, all new suppliers have to pass selection filters according to social criteria. It is a prerequisite for a supplier to maintain a contractual relationship with Naturgy. If all the Group's countries are taken into account, including those in which this platform is not implemented, in 2023 the percentage of new suppliers that have passed selection filters according to social criteria was 83.85%.

For high-risk suppliers, RePro has a specific sustainability and compliance module and an objective scoring system that uses evidence to classify suppliers according to their sustainability performance. Suppliers with less advanced practices receive customised reports with recommendations for improvement. In addition, all providers can access the ESG benchmarks display against the community average. This allows them to visualise their performance in relation to that average, enabling them to take action to improve where they have room for improvement or to reinforce the ESG strengths they have already established.

The high risk rating process also includes the assessment of criminal, privacy and cybersecurity compliance issues through a compliance rating and corresponding customised recommendation report for each supplier.

In accordance with the company's Health and Safety Commitment, specific regulations have been introduced to classify the health and safety risk of suppliers, by defining objective aspects and assessment criteria, requirements for classification, selection and evaluation of bids in award processes.

Official approval and management of supplier quality

At Naturgy, all suppliers that perform critical activities —those defined with a high risk in any of the ESG, Quality and Health and Safety risk factors— must be approved.

This process is based on audits carried out by Naturgy employees or contracted consultants, conducted at the supplier's facilities or on-site, depending on the criticality, to verify compliance with the specific requirements defined for the service or material. If anomalies are detected during the audits, corrective actions must be introduced within the deadlines agreed between Naturgy and the supplier, and this deadline is always less than one year.

The company also approves, and therefore conducts audits managed by Naturgy employees or contracted consultants, non-tier 1 suppliers corresponding to purchase categories of critical products, over which audits are carried out mainly based on quality-related aspects.

In 2023, 510 audits were performed on suppliers and subcontractors, of which 88 were conducted at their facilities (40 audits of approval and 48 inspections at source). If anomalies arise in the approval process, this may lead to a plan of corrective actions, or to the non-approval of the supplier, which would prevent such supplier from performing this activity for Naturgy.

65% of the approval audits carried out at the suppliers' premises has resulted in the need to submit a corrective action plan. On the other hand, in 2023, no supplier's approval has been suspended or withdrawn, nor has the contractual relationship been terminated for non-compliance with safety, quality and other requirements.

Monitoring, follow-up and development of suppliers

Monitoring of suppliers

- › Criteria considered in monitoring:

Corporate image and reputation	<p>Since 2019 Naturgy has been monitoring online the reputation risks of the portfolio of suppliers with whom it maintains commercial relations. A screening tool has been used to detect exposure to counterparty reputational risk and to make decisions based on the risk detected in coordination with the Compliance Unit.</p> <p>The monitored supplier base amounts to 6,419 at the end of 2023. In no case has there been evidence of an impact that has placed these suppliers at very high risk.</p> <p>In addition, reputational due diligence is performed on suppliers to analyse the alignment with Naturgy's corporate responsibility commitments.</p> <p>In 2023, no supplier was disqualified on the grounds of fraud or unethical practices.</p>
Economic-financial information	<p>The main potential or active suppliers of Naturgy are analysed from the economic-financial point of view in order to prevent contractual breaches by suppliers.</p> <p>In addition, in the assessment process the supplier's economic dependency ratio is measured with respect to Naturgy and is taken into account in the supplier's global scoring that can be used in the supplier's valuation during the contract award strategy.</p>

Monitoring of suppliers

› Monitoring mechanisms:

<p>Environmental specifications</p>	<p>Naturgy has developed specific environmental specifications for suppliers and contractors that are attached to the corresponding contracts, based on the purchase category supplied and which include minimum environmental management requirements for application and monitoring during procurement.</p> <p>50.9% of the purchase volume from critical suppliers has an environmental management system with external certification.</p>
<p>Performance monitoring</p>	<p>This is carried out with the most relevant suppliers and involves carrying out performance assessments to measure the operating units' level of satisfaction with suppliers and detailed aspects concerning quality, health and safety, operations and ESG.</p> <p>Health and Safety performance is also measured using objective metrics and the method set out in Naturgy's "Health and Safety Standard: Assessment of performance of collaborating companies in health and safety issues". These assessments results in corrective actions for those suppliers whose assessment does not reach the standard set by the company.</p> <p>In 2023, 906 performance assessments were conducted on suppliers from Argentina, Brazil, Chile, the Dominican Republic, Mexico, Panama and Spain, with a total of 582 suppliers being assessed. The results and classification obtained are reported to the supplier, also specifying their weak points and areas for improvement. In 2023, action plans have been agreed with 56 suppliers whose score in the performance measurement proved insufficient.</p>
<p>Documented Safety Inspections</p>	<p>At suppliers involved in activities classified as high Health and Safety risk, "Documented Safety Inspections" are carried out, which are audits performed on site by Naturgy employees or external consultants. In 2023, 20,181 documented safety inspections were carried out on the Group's suppliers and in 17.77% of these inspections, deviations were detected which generated the corresponding corrective actions in 100% of the cases for their resolution.</p>
<p>ESG audits</p>	<p>Suppliers classified with a high risk level are required to provide documentary evidence, and for those whose assessments of the financial, people (working environment, hiring practices, working hours, occupational risk prevention), reputational, compliance and corporate social responsibility (ethics and integrity, non-discrimination, community engagement) risk criteria do not exceed the target parameters established by the RePro Community, on-site ESG audits are carried out by external consultants (Achilles) using protocols, standards and procedures defined by the Utilities Community of Southern Europe and South America. In 2023, ESG on-site audits were carried out on 68 of the Group's suppliers. In addition, Naturgy asks Achilles to carry out ESG audits on the suppliers with the highest purchase volume classified as having a high ESG risk. In 2023, 84.4% of high ESG risk purchase volume was audited.</p> <p>Suppliers with significant findings on social, environmental and governance aspects require a corrective action plan for their resolution. Suppliers have a maximum of one year, and in case of non-compliance or unsatisfactory resolution, the company may terminate the contractual relationship.</p>
<p>Performance on climate matters</p>	<p>Naturgy contractually requires suppliers categorised as high risk in climate change and with a large volume of contracted purchases to report their degree of performance in climate matters each year through questionnaires on the CDP Supply Chain platform, thus involving suppliers in the improvement of their environmental impacts. In 2023, 238 Naturgy suppliers were requested to report their information through CDP Supply Chain.</p>

For suppliers in critical procurement categories with current awards, self-assessment and quality control mechanisms are agreed upon prior to delivery of products or services, follow-up audits are conducted based on the risk level of the purchase category. The calibration of equipment is also checked and it is verified that the personnel who carry out high-risk activities are authorised or certified to carry them out, and accreditations or identifications are issued.

In addition, products corresponding to critical categories are subject to on-site inspections, technical acceptance and Factory Acceptance Tests (FAT) carried out by Naturgy employees or by consultants hired at the production centres, and in some cases, at non tier 1 suppliers.

Development of suppliers

Naturgy's Corporate University, through its Extended Academy (EA), provides a training offer, both technical and managerial, to external collaborating companies, customers and suppliers. This encourages the improvement of operational efficiency, the incorporation of innovative methodologies and the development of skills aimed at excellence in operations and service.

The EA thus contributes to the establishment of a common planning and management model, favouring the professionalisation of companies that participate in the Naturgy value chain, with a recurrent activity of more than 14,945 annual participants and 37,468 hours of training. The number of unique participants in 2023 was 7,923.

In order to contribute to the training of suppliers in ESG aspects, Naturgy is also a driving company of "Training Programme: Sustainable suppliers", in partnership with the Spanish UN Global Compact Network. This programme focuses on training SME suppliers of large companies in specific areas of the Ten Principles of the Global Compact and the Sustainable Development Goals (SDG). Thus, a total of 138 Naturgy SME suppliers in Argentina, Brazil, Spain, Mexico, Panama and Portugal had the opportunity to participate in this training programme.

Furthermore, as part of the supplier ESG capacity building programme, in 2023, a total of 238 suppliers from all Group countries were invited to the webinar held in collaboration with CDP for the disclosure of environmental performance with respect to climate change and a channel was provided for the resolution of queries in this regard.

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

Within the framework of this strategic partnership and to promote collaboration with companies belonging to women, minorities or vulnerable groups, Naturgy has issued a communication to all suppliers in the EMEA area that have contracts in force with the company. The communication informs about the Naturgy Group Equality Plan 2023-2027 and highlights the company's commitment to the promotion of equal opportunities, rejecting any form of discrimination based on gender, sexual orientation, marital status, disability, age, race, political and religious beliefs, union membership or any other type of discrimination. The communication has also been published on the Group's website so that it can be consulted by new or potential suppliers.

The opportunity of environmental challenges

The **Global Environmental Policy**, applicable to all countries and businesses, and the **Corporate Responsibility Policy**, the company's highest-ranking policy in favour of sustainable environmental development, **define Naturgy's environmental action around eco-efficiency**, rational use of natural and energy resources, minimisation of environmental impact, promotion of innovation and use of the best available technologies and processes. They also establish Naturgy's voluntary commitment to be a key player in the energy transition towards a circular and decarbonised economy model.



5. The opportunity of environmental challenges

1. The opportunity of environmental challenges in 2023 at Naturgy.
2. Governance and environmental management.
3. Climate change and energy transition: TCFD Report.
4. Circular economy and eco-efficiency.
5. Biodiversity and natural capital.

Naturgy’s contribution to the SDG



The Global Environmental Policy, applicable to all countries and businesses, and the Corporate Responsibility Policy, the company’s highest-ranking policy in favour of sustainable environmental development, define Naturgy’s environmental action around eco-efficiency, rational use of natural and energy resources, minimisation of environmental impact, promotion of innovation and use of the best available technologies and processes. They also establish Naturgy’s voluntary commitment to be a key player in the energy transition towards a circular and decarbonised economy model, which, in line with the goals of the Paris Agreement, drives climate action and the protection of biodiversity while at the same time promoting a just and inclusive transition through the generation and improvement of employment opportunities.

Naturgy’s most immediate, specific and measurable responsibility towards the environment is set out in the Sustainability Plan, which establishes the objectives that guide the company in its daily performance, in line with the SDGs set by the United Nations and the Strategic Plan defined for the 2021-2025 period. On a more distant time horizon, with a view to achieving climate neutrality by 2050, the company is committed to investing today in sustainable activities, many of which are eligible under the European Taxonomy:

- › Build new renewable generation facilities to reach an installed capacity of around 48.2% by 2025.
- › Commit to carbon-neutral renewable gases with the aim of being able to produce or inject at least 1 TWh into the natural gas grids by 2025.
- › Develop smart and adapted energy grids that play a key role in the energy transition.
- › Protect biodiversity, which is partly affected by the climate challenge, and avoid the risk of net loss of natural capital as a strategic priority.

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

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

Naturgy's most immediate, specific and measurable responsibility towards the environment is set out in **the Sustainability Plan**, which establishes the objectives that guide the company in its daily performance, **in line with the SDGs set** by the United Nations and the Strategic Plan defined for the 2021-2025 period.

1. The opportunity of environmental challenges in 2023 at Naturgy

Evolution and results

Responsible environmental management

	Target 2025	2023	2022	Base year 2017
Driver 2. The opportunity of environmental challenges				
Absolute GHG emissions Scope 1 and Scope 2 (million tCO ₂ eq) ⁽²⁾	11.0	12.9	15.1	21.8
Absolute GHG emissions Scope 3 (million tCO ₂ eq) ⁽²⁾	109.4	101.7	110.1	142.6
CO ₂ intensity in electricity generation (tCO ₂ /GWh) ⁽²⁾	199	247	279	388
Installed capacity from renewable sources (%) ⁽²⁾	48.2	37.0	33.7	22.0
Capacity free of emissions (%) ⁽¹⁾	51.1	41.0	37.5	26.0
Renewable gases (TWh) ⁽²⁾	0.52	0.30	0.22	n.a.
Water consumption (hm ³) ⁽²⁾	14.7	17.0	18.8	28.0
Intensity of water consumption in generation (hm ³ /TWh) ⁽¹⁾	0.31	0.39	0.40	0.60
Waste produced (kt)	110	115	94	824
Recycled or recovered waste (%) ⁽²⁾	93	95	92	33
Atmospheric emissions SO ₂ (kt) ⁽¹⁾	0.89	0.68	0.83	19.20
Atmospheric emissions NO _x (kt) ⁽¹⁾	8.82	8.18	8.14	29.30
Initiatives to improve biodiversity (number)	350	353	345	n.a.
TNFD recommendations ⁽³⁾ implementation at corporate level (%) ⁽¹⁾	100.0	25.0	n.a.	n.a.
Activity with ISO 14001 environmental certification (% Ebitda) ⁽⁴⁾	95.0	97.2	97.9	87.7
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	75	50	n.a.
Eligible Capex according to European Taxonomy (%)	80	79	67	n.a.

⁽¹⁾ Targets included in 2023 in the review of the 2025 Strategic Plan.

⁽²⁾ Targets reviewed in 2023 in the review of the 2025 Strategic Plan.

⁽³⁾ Task force on nature-related financial disclosures (TNFD).

⁽⁴⁾ Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

Target pathways 2023

	2022 target value path	2023	2022
Direct GHG emissions Scope 1 (MtCO ₂ eq/year)	12.0	12.5	14.7
Indirect GHG emissions Scope 2 (MtCO ₂ eq/year)	0.4	0.4	0.4
Indirect GHG emissions Scope 3 (MtCO ₂ eq/year)	105.2	101.7	110.1
Emission intensity in electricity generation (tCO ₂ /GWh)	253.6	247.1	279.3
Emissions by leaks in gas networks (tCH ₄ /km network)	0.21	0.21	0.24
Total volume of water captured from the environment (hm ³)	802.4	776.7	920.6
Total water consumption (hm ³)	21.1	17.0	18.8
Total spill volume (hm ³)	781.6	759.8	902.0
Atmospheric emissions SO ₂ (kt)	1.3	0.7	0.8
Atmospheric emissions NO _x (kt)	8.7	8.2	8.1
Atmospheric particulate emissions (kt)	n.a.	0.1	0.1
Total waste (kt)	117.0	114.9	93.9
Non-hazardous waste (kt)	109.7	108.0	88.9
Hazardous waste (kt)	7.3	6.9	4.9
Recovery and recycling rate (%)	90.4	95.4	92.1

Target pathways act as benchmarks over time, providing guidance for assessing progress and allowing for adjustments as needed. Importantly, the target pathways are not necessarily end goals per se, but rather indicators of progress towards the 2025 end goal, taking into account the possibility of deviations and the need for adjustments during the process.

Throughout this chapter, the changes in the indicators in the year 2023 is analysed.

Highlights of the year

Governance and environmental management

Lines of action	Achievements and highlights in 2023
Environmental management	97.2% of Ebitda comes from industrial activities certified in environmental management by ISO 14001, which provides a solid and fundamental basis to guarantee the operational efficiency of the company in environmental aspects.
Awards and recognition	In 2023, there has been a 66% increase in environmental investments compared to the previous year and a 20% increase in expenditure, reaching Euros 1,092.8 million and Euros 222.8 million, respectively.

Climate change and energy transition

Lines of action	Achievements and highlights in 2023
Carbon footprint reduction	In 2023 there is a reduction of the total carbon footprint (scopes 1, 2 and 3) of 8.5% compared to 2022.
Climate management	Naturgy was externally recognised for its climate management, obtaining the A-rating from the CDP Climate, and has been present in the leadership band since 2011.
Innovation in low-carbon energy products and services	<p>In Spain, 10,490 GWh of renewable electricity with guarantees of origin certified by the CNMC for more than 1.6 million contracts have been supplied, representing 59% of the energy purchased, and an increase of 6% compared to the previous year.</p> <p>Although biomethane has been produced and injected into the gas grid for several years, for the first time in 2023 biomethane was marketed in Spain with guarantees of renewable gas origin, either its own or purchased on the market, specifically 7,596 MWh.</p> <p>In 2023, Naturgy launched Naturzero, a new brand designed to accompany its customers in their decarbonisation objectives, through actions to mitigate and adapt to climate change, helping to position companies in a market that is increasingly aware of and values the most sustainable organisations and products. Naturzero will provide a comprehensive service to its customers, thanks to three associated products, to calculate, reduce and offset their GHG emissions.</p>

Circular economy and eco-efficiency

Lines of action	Achievements and highlights in 2023
Efficient use of water	<p>Globally, in 2023 there has been a 10% decrease in water consumption, and a 16% decrease in water abstraction and discharge.</p> <p>For areas of high water stress, where water management is a crucial issue due to its impact on availability and sustainable use, the positive trend is more pronounced. Compared to 2022, there is a 21% decrease in water abstraction in these water-stressed areas considering all sources (sea, reused, surface, etc.). The reduction is more relevant in freshwater abstraction, a 61% decrease, which means an improvement in the negative impacts linked to the use of this scarce resource.</p> <p>On the other hand, in six of Naturgy's combined-cycle power stations, a total of 24.7 hm³ of discharges from urban areas or other industrial activities have been reused. Two of the plants reuse the discharge of vaporisation water from regasification plants (combined-cycle power stations of the Port of Barcelona and Cartagena, in Spain). The other four (Hermosillo, Naco and Durango combined-cycle power stations in Mexico and Málaga in Spain) reuse urban waste water, avoiding the use of 4.1 hm³ of fresh water in high water stress areas.</p>
Water management	<p>In 2023, Naturgy achieved an outstanding A- rating by CDP Water, reflecting our commitment to responsible water management.</p>
Biomethane	<p>In 2023, the biomethane production capacity in own plants and injection into Naturgy's gas networks amounted to 0.30 TWh. The increase compared to the previous year shows our efforts in promoting this new circular economy model, which transforms organic waste into decarbonised energy.</p>

Naturgy was externally recognised for its climate management, obtaining the A- rating from the CDP Climate, and has been present in the leadership band since 2011.

Biodiversity and natural capital

Lines of action	Achievements and highlights in 2023
<p>Task Force on Nature-related Financial Disclosures (TNFD)</p>	<p>The Task Force on Nature-related Financial Disclosures (TNFD) published in September 2023 its final Recommendations for the management and disclosure of nature-related risks to drive integrated assessment and corporate reporting of nature-related risks.</p> <p>Naturgy has initiated a project to assess natural capital and biodiversity in all its activities, as established in the methodology proposed by the new Framework. These recommendations have been followed in this report in the chapter on Biodiversity and natural capital, taking into account the information available at the end of 2023.</p>
<p>Progress towards no net loss of biodiversity</p>	<p>353 biodiversity initiatives have been carried out at the international level, 22% of which are voluntary. Environmental restoration actions were carried out on 336 ha. 22% of this area corresponds to protected areas, habitats or species.</p>
<p>Environmental studies</p>	<p>186 studies have been conducted, particularly in the area of electricity generation facilities (thermal, hydropower and wind farms) and electric distribution in order to learn about and monitor the environmental and ecological status of the surrounding areas. In the case of thermal and hydropower plants, sampling campaigns have been carried out to determine the physical-chemical and biological quality of the aquatic environment (rivers, reservoirs, etc.), and concluded that the studied facilities had an acceptable impact on their environment.</p>
<p>Natural capital creation</p>	<p>The creation of the Naturgy forest has begun, through two initiatives. The first, in Galicia, was the recovery of a wooded area damaged by drought and pests (1 ha). The second, in an area of the Community of Madrid affected by a forest fire (7 ha), planting different native species to reduce the carbon footprint and expand the forest ecosystem. In both cases, biodiversity criteria have been considered in the selection of species.</p> <p>These projects are aligned with the 2021-2025 Sustainability Plan, and will have a triple positive impact: environmental, by contributing to the conservation of biodiversity, the reduction of climate impact and the generation of natural capital; social, by favouring rural development and the generation of employment; and economic, as it will boost sustainable investments and local growth.</p>



353 biodiversity initiatives have been carried out at the international level, 22% of which are voluntary. **Environmental restoration actions were carried out on 336 ha. 22% of this area corresponds to protected areas, habitats or species.**



2. Governance and environmental management

Governance

The Board of Directors, through the Sustainability Committee, is responsible for Naturgy's environmental governance. It proposes environmental objectives and guidelines, monitors that environmental practices are in line with the strategy and policy, and also monitors the evolution of the company's environmental performance by tracking key indicators and targets.

In addition, the Audit and Control Committee supervises the control and management systems for financial and non-financial risks, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks.

In this way, Naturgy demonstrates a serious commitment to responsible environmental management, based on the leadership of the management through the following premises:

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

- › Preparation of regular reports on environmental performance and participation in international sustainability indices to ensure transparency and dissemination of results.
- › Participation in associations and working groups aligned with Naturgy's environmental principles.

Environmental management

Naturgy goes beyond compliance with legal requirements in environmental matters and adopts more ambitious actions and goals to maintain respect for the environment. The company is aware that to meet society's demand for energy while protecting the environment, it is necessary to understand, prevent, reduce and control the environmental impact of its activities. To this end, its Environmental Policy establishes the following principles around its strategic environmental axis of Environmental Governance and Management:

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

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

- › Impact on climate change.
- › Consumption of non-renewable raw materials ⁽¹⁾.
- › Impact on biodiversity through loss of habitats and species ⁽¹⁾.
- › Pollution of air, water and soil.

⁽¹⁾ The section on Biodiversity and Natural Capital provides a detailed account of the main impacts derived from water management and on biodiversity.

Based on the identification of significant effects, Naturgy performs environmental management based on the principle of prevention, taking into consideration the entire business value chain. For years, the company has had an integrated management system (IMS) for quality, environment, health and safety certified in its environmental component according to the requirements of the ISO 14001 standard and audited each year. This system is aimed at preventing pollution and reducing environmental impacts throughout the value chain by involving employees, suppliers and other stakeholders. The processes certified through this system are:

- › Electricity generation (thermal, hydraulic and renewable sources origin).
- › Distribution of natural gas and electricity.
- › Commercialisation of natural gas and electricity.
- › Management of office buildings.

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

Processes by country with certified environmental management

	Electricity generation	Gas and electricity distribution	Commercialisation of natural gas and electricity	Management of office buildings
Argentina		■	■	
Brazil		■	■	
Chile		■	■	
Costa Rica	■			
Spain	■	■	■	■
Mexico	■	■	■	
Panama	■	■	■	
Dominican Republic	■			

■ Certified.

In addition to the ISO 14001 certificates, the commercialisation activity in Spain has an ISO 50001 certificate, which certifies its energy management system. This activity has an appropriate energy policy and management, which translates into real and quantifiable savings in consumption.

In 2023, 97.2% of Ebitda comes from industrial activities with ISO 14001 environmental certification. This certification has been obtained after passing the external audits carried out by AENOR and TÜV Rheinland.

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

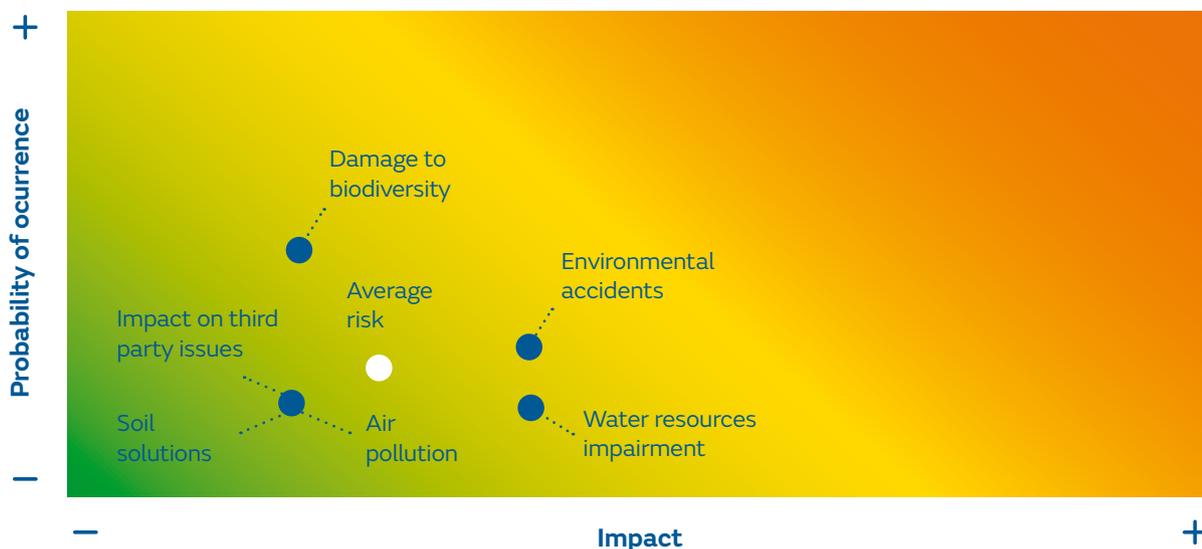
- › Salem, to identify, register, monitor and manage compliance with legal requirements.
- › Prosafety, for the recording and management of findings, non-conformities, observations, incidents, accidents, opportunities for improvement, and the monitoring of environmental management goals and action plans.
- › Damas, to identify and assess the company's direct and indirect environmental aspects.
- › Enablon, for the registration and centralised management of environmental indicators.
- › Carbon footprint.
- › Geographical information system for biodiversity.

Environmental risks ⁽²⁾

Naturgy has identified the environmental risks in its facilities by using the reference standard as its basis (UNE 150008 in Spain). At the design stage, the company also identifies environmental impacts and risks in the Environmental Impact Assessments it carries out for almost all specific projects and large-scale linear infrastructures. This is complemented by the carrying out in Spain of the Environmental Risk Assessments (ERA) carried out in the facilities where it is required, in compliance with Law 26/2007 on Environmental Responsibility and subsequent amendments, such as, for example, in all the combined-cycle power stations. With regard to climate, specifically, Naturgy assesses the physical and transitional risks derived from climate change that affect all its facilities, as detailed in the following section.

With a focus on environmental risks, the following figure shows the most relevant risks, which Naturgy prevents through environmental management carried out under an ISO 14001 certified system. In addition, the company has emergency plans in facilities and warehouses at risk of environmental accidents, which in turn include action plans for eventualities, with means of containment and frequent drills.

⁽²⁾ Environmental, biodiversity and climate change risks are integrated into the overall model described in the chapter "Risk management". Environmental risks are mentioned in this section. Section "Climate change and energy transition: TCFD Report" describes in detail the risks related to climate change and the section "Biodiversity and natural capital" elaborates on biodiversity risks.



The Prosafety tool, among others, is used to manage these risks. It enables reporting on any activity or geography that may cause damage to the environment as well as analysing smaller environmental accidents and incidents that do not cause significant harm, but from which lessons can be learnt and larger events prevented. Prosafety also facilitates identification, analysis, development, implementation and exchange of preventive measures and best practices in risk management across all areas.

It is also important to cover potential environmental risks financially, with a financial provision to ensure this coverage. For this reason, Naturgy has a series of insurance policies with environmental coverage.

- › Environmental liability insurance: limit contracted for a value of Euros 150 million per loss event and in the annual aggregate.
- › Liability coverage for sudden and accidental pollution in the general public liability policy: limit of Euros 720 million per loss event.
- › Protection and indemnity insurance: maximum limit of US Dollars 500 million per loss event, in accordance with the Rules of the UK P&I CLUB 2018 (Charterers), to cover the liabilities for pollution arising from chartering vessels.

Legal requirements and penalties

Naturgy continuously monitors environmental regulation in order to know, in advance, the impact it has on its activity. This makes it easier to define its positioning and adapt to new requirements. Monitoring is done using consultation and public information processes in the international, European and national context.

In 2023, there were no significant penalties (amount over Euros 10,000) in environmental matters.

Environmental investments and expenses

For Naturgy, environmental protection is a priority activity that deserves all means and economic resources without exception. For years, the company has been reporting environmental investments and expenditure according to its own methodology and, since 2021, it has also reported economic information according to the Taxonomy Delegated Regulation, available in the section “Sustainable Finance”.

The environmental actions carried out in 2023 have reached a total of Euros 1,315.6 million (Euros 846.1 million in 2022), of which Euros 1,092.8 million correspond to environmental investments (including investments resulting from business combinations) and Euros 222.8 million to expenses incurred in the environmental management of the facilities, excluding those resulting from the European regulated carbon market (ETS). Of specific note are the investments in new renewable energy projects, which will contribute to the energy transition and reduce direct emissions of CO₂ and other atmospheric pollutants.

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

Environmental investments (million euro)

	2023	2022
Governance and environmental management	0.3	0.1
Climate change and energy transition	1,077.4	648.4
Circular economy and eco-efficiency	6.3	5.3
Biodiversity and natural capital	8.8	6.2
Total	1,092.8	660.0

Environmental expenses (million euro)

	2023	2022
Governance and environmental management	52.0	47.3
Climate change and energy transition	164.0	131.9
Circular economy and eco-efficiency	3.7	3.5
Biodiversity and natural capital	3.1	3.4
Total	222.8	186.1

Environmental training

To prevent and reduce negative impacts on the environment and improve control of operations, environmental training is another of the company's key tools. Thus, Naturgy places special emphasis on training its employees by providing 3,656 hours of training to 1,016 participants in 2023, with a performance of 269.6% and 268.8% respectively with respect to the hours and participants planned. This indicates that 13.6% of workers in all locations received training (internal or external) on environmental issues.

Supply chain

One of the fundamental elements in the management of sustainability and the environment in Naturgy is the supply chain, i.e. suppliers, providers and external collaborators. Accordingly, the global purchasing and supplier management model (described in detail in section "Supply chain") takes into account environmental criteria, including matters such as climate change, atmosphere, water, soil, landscape, territory, heritage, resource consumption, waste production and biodiversity.

The model is further complemented by specific tools such as CDP Supply Chain, which enables suppliers to be involved in Naturgy's climate action through the exchange, integration and analysis of key environmental indicators.



3. Climate change and energy transition: TCFD Report

The global energy transition is the great challenge to be met in order to reduce greenhouse gas (GHG) emissions and contribute to slowing down the climate change affecting the world.

Naturgy is committed to being one of the key players in the energy transition towards a circular and decarbonised economy model. To this end, its Environmental Policy establishes the following principles around its strategic environmental axis of climate change and energy transition:

1. Achieve climate neutrality by 2050 at the latest through the reduction of total scope 1, 2 and 3 emissions, setting intermediate targets aligned with the 1.5°C - 2°C reduction pathways of the Paris Agreement.
2. Align new investments with the goals of the Paris Agreement, promoting renewable and decarbonised energy, energy savings and efficiency, and climate adaptation.
3. Publish each year the carbon footprint in all its scopes, verified by an independent third party, establishing systems for monitoring and reducing emissions
4. Integrate the climate variable into risk and opportunity management and strategic planning, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).
5. Supporting international climate change negotiations and market mechanisms that foster the development of the most appropriate technologies at each stage of the energy transition.
6. Promote directly and through alliances with other players, climate policies aligned with the Paris Agreement, ensuring the permanence only in entities that meet this criterion and each year publishing the list of these entities.
7. Promote decarbonisation in line with the principles of just transition and involve the supply chain, promoting actions that reduce the carbon footprint of collaborating companies.

In line with these principles, the company has adopted the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) since 2017. The TCFD aims to improve disclosure of climate-related risks and opportunities and to provide stakeholders with the information necessary to conduct consistent analyses of the potential financial impacts of climate change.

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

Naturgy recognises the value of the recommendations, an important catalyst for the dissemination of information on climate change, and continues to work to align and improve the dissemination of qualitative and quantitative information with the four core elements of the TCFD: governance, strategy, risk management, metrics and targets, set out in the report Recommendations of the Task Force on Climate-related Financial Disclosures, published in June 2017.

Climate change governance

The Board of Directors, through the Sustainability Committee, is responsible for Naturgy's environmental governance, particularly with regard to climatic change. It proposes environmental objectives and guidelines, monitors that environmental practices are in line with the strategy and policy, and also monitors the evolution of the company's environmental performance by tracking key indicators and targets.

The Sustainability Committee meets, whenever necessary, to issue reports or proposals within its competence, whenever its chairman deems it appropriate or when two of its members request it. In any case, the Committee must meet at least three times a year to monitor climate change and energy transition performance using the high-level indicators scorecard.

Its functions include monitoring the evolution of the Sustainability Plan indicators and, specifically, the specific climate change indicators - Scope 1, 2 and 3 emissions, intensity of emissions of electricity generation and installed renewable capacity, inter alia-. Details of the functions and powers of the Sustainability Committee can be found in section C.2.1 of the Annual Corporate Governance Report 2023.

The main decision taken by the Sustainability Committee in recent years has been to formally commit the company to the Net Zero 2050 target and the climate targets included in the 2021-2025 Sustainability Plan, updated in 2023, coinciding with the review of the Strategic Plan 2021-2025. In this way Naturgy commits to eliminate investments in new carbon-intensive assets or products that are not compatible with the Paris Agreement.

One of the key aspects of Naturgy's risk management is to ensure the resilience and sustainability of the business, which is why environmental and climate change risks are built into this global model. All the company's operational and geographic areas, businesses and projects are involved in climate governance, which is channelled through the Management Committee and the Sustainability Committee.

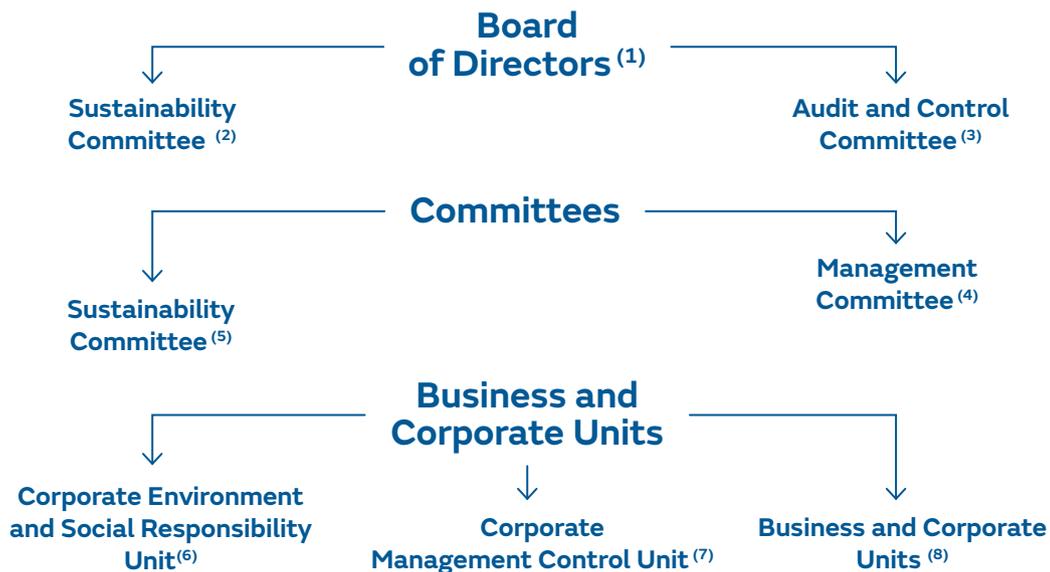
The Audit and Control Committee is the supreme body in charge of the efficacy of internal control and of the risk management and control systems. It approves the Corporate Risk Map, which includes climate change risks, and ensures compliance with the Global Risk Control and Management Policy approved by the Board of Directors. See further details in the Risk Management section of this report.

The identification, monitoring and assessment of risks related to climate change is governed by the Corporate Risk Map, which is updated and submitted by the corporate Management Control unit to the Audit and Control Committee.

The process focuses on characterising and quantifying the most relevant climate risks, reflecting the company's risk profile. The identification and characterisation of the risks take into account the characteristics of the exposure level, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control.

In 2023, the Sustainability Committee has decided to make further progress in the quantification and monetisation of climate change risk until full implementation of the TFCF standard.

Governance agencies and responsibilities in climate change



⁽¹⁾ Approves the Risk Control and Management Policy, the integrated Risk Appetite and oversees the company's Risk Management and Control System.

⁽²⁾ Oversees sustainability, environmental, social and corporate governance policies. It ensures that the company's actions are aligned with the energy transition and contribute to the 2030 Agenda of the Sustainable Development Goals. It determines and reviews the target risk profile and oversees its management by the units.

⁽³⁾ Oversees risk management systems, approves the Corporate Risk Map (including climate risk) and ensures compliance with the Global Risk Control and Management Policy.

⁽⁴⁾ Ensures the application and monitoring of business and sustainability policies, strategies, plans and objectives, and proposes measures in the areas of energy transition, climate change and sustainable development.

⁽⁵⁾ Monitors all indicators and defines and promotes the projects and corrective actions necessary to ensure compliance with the targets of the Sustainability Plan, including those related to climate change.

⁽⁶⁾ Sets policies, indicators and targets for the environment, climate change and sustainability in general. In coordination with the businesses, it monitors developments, consolidates information and centralises reporting to the management committees and the Board of Directors. Continuously assesses the main climate and ESG risk factors.

⁽⁷⁾ Responsible for aggregating the risks reported by the rest of the company's units and preparing a global and integrated vision for senior management of all the company's risks through the Corporate Risk Map.

⁽⁸⁾ They apply general principles and strategies and develop plans, projects and activities to meet climate change and environmental objectives, as well as the other goals set out in the Sustainability Plan.

The annual variable remuneration of the Executive Chairman and the management team considers economic-financial, operational and sustainability aspects. The weight of objectives linked to sustainability or ESG aspects is 20%, with 5% corresponding to environmental aspects. The very long-term variable remuneration (LTI) is aligned with the execution period of the Company's Strategic Plan, which encourages the reduction of emissions through the promotion of renewable energies, eco-efficiency and sustainable mobility.

Naturgy has a firm commitment to transparency and dissemination of information related to climate change whereby the company participates in international reference indices on climate change. It should be noted that Naturgy has been recognised by the CDP Climate index for its climate management, remaining in the leadership band since 2011.

Naturgy has also voluntarily undertaken commitments to the fight against climate change by joining climate-related initiatives such as the Carbon Pricing Leadership Coalition (CPLC), Caring for Climate, the Climate Change Trust and Disclosure Statement, or the Statement of Support for the Task Force on Climate-related Financial Disclosures (TCFD).

In addition, to strengthen the company's commitment to the energy transition and the decarbonisation of the economy, the Chairman of Naturgy has been a member of the "Alliance of CEO Climate Leaders" since 2022. This alliance was created in 2014 to support and promote the Paris Agreement on climate change from the senior management of companies.

Climate strategy

Energy transition

Naturgy's climate change strategy for the energy transition includes the components of Nature and People, as they are complementary and mutually influential realities. This holistic vision is therefore based on three fundamental pillars:

- › Reduce greenhouse gas emissions by transforming the generation mix and the gas and electricity business towards an increasingly decarbonised model.
- › Creation of natural capital and restoration of ecosystems to maximise CO₂ capture and neutralise emissions, ensuring the protection of native fauna and flora and maximising co-benefits for local communities.
- › A Just Transition, maximising the benefits of the transition to a low-carbon economy and minimising the negative impacts on business, workers and communities.

In this regard, the main lines of climate action reflected in the Strategic Plan 2021-2025, updated in 2023, are:

- › Promote renewable energies and encourage their integration through the development of smart networks.
- › Ensure security of supply in the energy transition to 100% renewable energy, using gas combined-cycle power stations as back-up power. It is an eligible technology according to European taxonomy and with a reduced level of specific CO₂ emissions compared to conventional thermal generation.
- › Develop renewable gases as a lever for decarbonisation of natural gas and in this way promote the circular economy through biomethane from organic waste and green hydrogen produced with surplus renewable electricity.

- › Promote energy eco-efficiency in own and customers’ facilities.
- › Offer eco-efficient and carbon neutral products and services at competitive prices to our customers.
- › Promote sustainable mobility that reduces GHG emissions and air pollution, helping to improve air quality.

Key ESG objectives Strategic Plan 2021-2025

		2022	2023	2022	
 <p>Environment Zero net emissions by 2050</p>	› GHG emissions reduction.	27%	30%	16%	Reduction of tCO ₂ eq (scopes 1+2+3). ⁽¹⁾
	› Biodiversity.	350	353	265	Projects (#).
 <p>Governance ESG-aligned management remuneration</p>	› ESG objectives as part of management incentives.	20%	20%	3%	ESG-linked variable remuneration.
	› Climate change risk and Taxonomy reports.	100%	Partial	Partial	Implementation of TCFD and EU Taxonomy.

NB: ⁽¹⁾vs. 2017. Scopes 1+2 aligned with the 1.5°C scenario and Scope 3 aligned with the WB2D scenario.

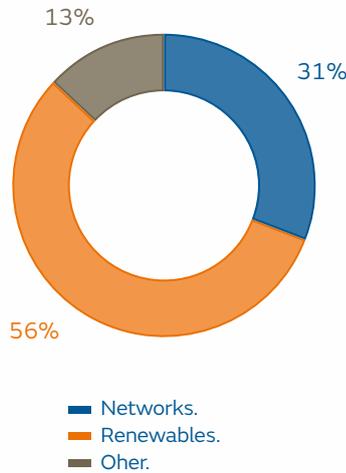
Naturgy has a firm commitment to transparency and dissemination of information related to climate change whereby the company participates in international reference indices on climate change.

Investment Plan 2021-25E

Strategic Plan 2021-2025 Investments Two main lines of investment

CAPEX Plan 2021-25E

13.200 M€



Investments aligned with the energy transition and strict financial discipline

Networks

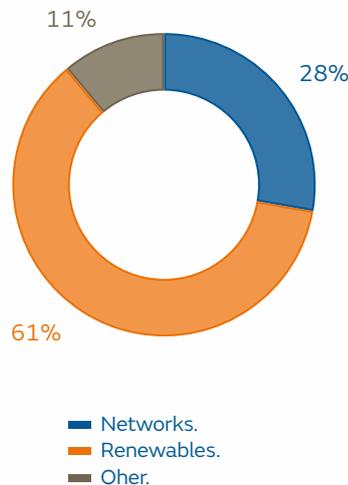
- › Proactive regulatory management.
- › Automation and remote operation.
- › Adaptation of existing infrastructures to play a key role in the energy transition.

Renewables

- › Revision of 2025 capacity target to ~ 10GW, with higher unit Capex (€/MW) due to inflation.
- › Strict financial discipline and minimum return criteria.

CAPEX Plan 2023-25E

9.900 M€



Others

- › Growth of customer base and digitisation.
- › Maintenance of Capex in combined-cycle power stations in Spain due to increased activity / back-up capacity.
- › Developing a renewable gas platform in Spain to capture growing opportunities.

Just energy transition

The energy transition in which society is immersed is so profound and urgent that it generates a series of undesirable consequences in communities, especially for workers who may see their jobs disappear. One example is the closure of coal-fired power stations.

In order for this transition to minimise the negative impacts on workers and their activity, a framework was proposed through the International Labour Organisation, which, under the concept of “just transition”, was agreed between governments, companies and trade unions.

In Spain, the just transition of the territories affected by the closure of thermal power stations is articulated under the “Agreement for a Just Energy Transition for thermal power stations undergoing closure”. It includes the commitment of the government of Spain, energy companies and trade unions to ensure employment and economic recovery of the areas affected by the closure of thermal power stations located in Aragon, Andalusia, Principality of Asturias, Castilla y León and Galicia. This agreement also establishes the commitment of the parties to work on the elaboration of Just Transition Agreements that include a participatory process of mobilisation and consultation for their elaboration.

Closure of plants and accompanying plans

Naturgy has drawn up accompanying plans for each of the closed plants. These plans detail the commitments made by the company:

- › Proposals for new investments in renewable energies in the same territories.
- › Outplacement plans for our own personnel.
- › Prioritisation for the recruitment of workers from auxiliary companies in the decommissioning works.
- › Search for investors.
- › Participation in support plans to improve employability in new activities, including specific training plans.

These accompanying plans have taken into account the main stakeholders affected and are focused primarily on promoting economic activity in the territories where the facilities were located. To address them, the company follows an approach based on the following premises:

- › Prioritising environmental measures and health and safety procedures in decommissioning.
- › Engaging with stakeholders in the plant environment.
- › Giving sites a second life by finding alternatives for new industrial uses.
- › Mitigating the economic and employment impact in the areas as far as possible and maintaining the historical link with the territories.
- › Supporting job creation and contributing to the training of workers in new skills adapted to the requirements of the energy transition.

During 2023 Naturgy has continued with the decommissioning process of the four coal-fired power stations under its management. At the close of 2023, the situation of the dismantling process at the different sites is as follows:

Facility	Degree of progress (%)	Revaluation and/or recycling rate (%)
CT Anllares	98	97
CT La Robla	93	90
CT Meirama	86	88
CT Narcea	56	79

Safety procedures and environmental measures that do not affect third parties and the environment have been prioritised in the dismantling work. To this end, demolition techniques are prioritised to minimise risks, and dismantling materials and equipment are reused and recycled.

As a result of the decommissioning, Naturgy has drawn up an investment plan in the affected areas that prioritises more efficient, less emitting and more environmentally friendly generation technologies. These alternative plans are focused on:

La Robla Site (Castilla y León)	Meirama Site (Galicia)	Narcea Site (Asturias)
<ul style="list-style-type: none"> › Development of photovoltaic parks and substation. › Green hydrogen plant together with Enagás Renewable. (See more detail in the Innovation and new business development section of this report). 	<ul style="list-style-type: none"> › Meirama and As Encrobas wind farms and new substation, with favourable Environmental Impact Statement (EIS) from November and December 2022, respectively. › Development of Green Hydrogen production hub together with Repsol and Reganosa. › Biogas power station together with Repsol and Reganosa. (See more detail in the Innovation and new business development section of this report). 	<ul style="list-style-type: none"> › Transfer to Tineo Town Council of the village annexed to the power station to be used for social purposes. The rehabilitation project has obtained JTI grants amounting to Euros 3.5 million.

Employment and training

As well as developing projects that help maintain economic and industrial activity in these areas, Naturgy's commitment includes the promotion of employment. In this regard, it should be noted that the closure of the plants was communicated both to the staff directly affected and to the workers' representatives. For the relocation of professionals, we sought to minimise the impact of the change of work centre, making the most of the means offered by Naturgy and the flexibility of the units and equipment. Accordingly, a large part of the staffing requirements for renewable technology development projects were covered by personnel from coal-fired power stations.

With regard to the employees of third parties, communication was established with the contractor companies to inform them of the next steps to be taken, as well as the channels for applying for employment in the decommissioning work. These channels have ensured equal opportunities based on allowing the companies awarded the decommissioning work in each of the work centres to identify the profiles they need.

As far as possible, for decommissioning work, priority has been given to hiring personnel residing in the municipalities where the sites are located or in nearby areas. A local employee is considered to be an employee who resides in the municipality of the sites or who resides in different municipalities and is registered in the job exchange of the Institute for Just Transition.

Site	Local employment (% of total number of persons hired)
La Robla	56
Meirama	24
Narcea	37

The decommissioning work being carried out at Meirama has entered a phase where manual work is not as necessary and has been replaced by work with heavy demolition machinery, hence the lower percentage in local hiring compared to other facilities.

Job creation requires the training and preparation of people. Within the framework of the Alliance for Vocational Training of the Ministry of Education and Vocational Training and linked to the Vocational Training Programme for Employability, the Naturgy Foundation provides workshops aimed at teachers, students of training cycles and the unemployed and employees of the sector. Specific training in new energy technologies such as the installation and maintenance of photovoltaic panels, renewable gases or the digitalisation of electricity grids. The development of this programme can be examined in more detail in the section on the activities of the Naturgy Foundation in the "Social Responsibility" chapter of this report.

Along the same lines, in 2023 the Institute for Just Transition and the Naturgy Foundation have signed an agreement to collaborate on training, improving employability and gender equality in the energy sector. The protocol establishes the lines of collaboration between the two institutions in the fields of training and research to promote green employment in areas of just transition, as well as to strengthen the re-qualification of workers in such areas.

Management of climate change risks and opportunities

Climate risks and opportunity assessment

With the aim of creating a common and globally consistent framework for the consideration of the economic risks resulting from global warming, the TCFD created by the FSB (Financial Stability Board) established in 2017 a definition and categorisation of these risks that has today become the global benchmark standard. Specifically the risks arising from physical impacts and those arising from the transition to a low-carbon economy:

- › Physical risks and opportunities: They arise from the increasing severity and frequency of extreme weather events (acute physical risks) or from a gradual, long-term change in the Earth's climate (chronic physical risks). They can affect companies directly through damage to their assets or infrastructure or indirectly by disrupting their operations or making their activities unviable. These extreme, chronic and acute weather events could also lead to a one-off or chronic increase in energy demand which, in turn, would constitute business opportunities for the company.
- › Transition risks and opportunities: The commitments made by the signatories of the Paris Agreement and the consequent transition to a decarbonised production system imply a drastic transformation of the global economy through major changes in regulations, the market and technology. These changes carry significant risks for companies, but also present opportunities.

Regulatory developments related to climate change are evolving at an ever faster pace. These regulations generally seek to limit activities that contribute to climate change and to promote adaptation measures. This means that economic actors must adapt to the new regulation, which sometimes has a very significant impact on their strategy and their business and production models. Some examples of policies that entail a regulatory transition risk are the implementation of CO₂ pricing or the setting of greenhouse gas emission reduction targets.

Climate change can affect the market in multiple ways, one of the main ones being changes in the supply and demand of products and services or increases in production costs. Changes in consumer behaviour that increase the demand for products classified as sustainable, or a decrease in the supply of certain resources due to increased scarcity, are examples of this type of market transition risks that can also entail new business opportunities.

Technological innovations focused on the transition towards a low-carbon economy can have a significant impact on companies and economic sectors, as they could imply anticipated losses of value on existing infrastructures, easily foldable in terms of cost, as well as heavy investments in R&D&I and the incorporation of new technologies that are still in the evolutionary phase. Examples are technological improvements related to renewable energies, hydrogen and other renewable gases, CO₂ capture or energy efficiency.

In addition, there is a growing risk that a company will be sued for negligence in mitigating and adapting to the effects of climate change, or for lack of transparency about its risks, known as reputational transition risk.

Efforts made to mitigate and adapt to climate change also create opportunities, e.g. through resource efficiency and cost savings, developing new products and services in line with low-carbon technologies, accessing new markets, and building resilience along the entire production chain.

Classification of Physical and Transition Risks and Opportunities according to the TCFD

Risks		Opportunities	
Physical	Transition	Physical	Transition
Acute	Political-legal	Acute	Energy sources
Increased severity of extreme weather events such as cyclones, hurricanes or flooding.	Climate change policy developments.	Revenue growth due to increased electricity demand in the face of increasing frequency of extreme cold and heatwaves.	Investment in renewable energy generation.
Chronic	Market	Chronic	Products and services
Long-term changes in weather patterns (rising sea levels and temperatures, changes in precipitation patterns, etc.)	Changes in supply and demand for certain raw materials, products and services	Revenue growth due to increased electricity demand from warmer temperatures.	Developing low-emission products and services to take advantage of changing preferences
	Technology		Market
	Structural technological changes favouring the transition to a lower carbon and more energy-efficient system.		New markets or diversification of activities.
	Reputational		Resource efficiency
	Changes in perceptions of contribution or detraction to the transition to a lower carbon economy.		Improving the efficiency of production and distribution processes.
			Resilience
			Climate resilience to better manage the associated risks and opportunities.

The climate risk assessment model used by Naturgy is based on the following premises:

- › First of all, it relies on its risk policies and corporate risk profile to identify what is an acceptable level of risk.
- › Context analysis of global scenarios: recently published theoretical climate scenarios by international organisms have been used, grouped according to their climate ambition. Two scenarios are more ambitious; one is fully aligned with achieving the Paris Agreement targets of not exceeding 1.5°C compared to pre-industrial levels and reaching Net Zero by 2050; in the intermediate scenario, the global average temperature increase is kept below 2°C, but without considering that the global Net Zero target will necessarily be reached in 2050; lastly, the third scenario is more continuist.
- › Consideration of various time horizons for carrying out sensitivity analyses of the climate scenarios defined: short term 2025-2030, taking the Strategic Plan 2021-2025 as a starting point, medium term, up to 2040 and long term, up to 2050.
- › Data collection and analysis, and identification of climate risk variables and drivers of the energy transition: data collection covers the main climate change indicators and Naturgy's assets and activities currently in operation, as well as the main key metrics of the energy system, including but not limited to: energy demand, commodity and CO₂ prices, total electricity capacity and capacity by technology, total electricity generation and generation by technology, and the role of renewable gases.
- › Physical risks are assessed at the level of facilities or asset types to ensure that they can be safely operated and accessed in extreme weather conditions. For this purpose, the physical risk assessment methodology was based on the following premises:
 - Damage to assets: estimation of potential damage to assets resulting from catastrophic events, considering the variables of occurrence and intensity of the events.
 - Business interruption: estimate of annual business interruption costs proportional to the number of days where the hazard intensity exceeds a relevant threshold. It assumes that on each of these days a fixed proportion of income is lost, specific to each sector.

Physical risk and opportunities assessment

Climate-related physical risk affects all company facilities, to varying degrees. Particularly at risk are those infrastructures with a long service life and located in regions with greater exposure to extreme weather events. Therefore, Naturgy's risk model is based on modelling the exposure and vulnerability of assets to different adverse weather events:

Term	Definition
Exposure	The number of items that are prone to or subject to certain hazards and that may cause them to be affected.
Vulnerability Sensitivity Susceptibility	An asset's predisposition to be affected, including sensitivity or susceptibility to financial damage (or opportunities) and capacity to adapt.
Hazard Risk	Natural phenomenon in question: probability of occurrence and intensity of extreme weather events.

However, the very exposure of certain activities or assets to climate events could present opportunities such as increased electricity demand resulting from a sustained rise in temperatures.

Types of physical risks and opportunities

Ranking	Type of risk/ opportunity	Potential impacts for Naturgy
Acute physical hazards	Extreme winds (cyclone, hurricane, gale)	Damage caused by an increased frequency of extreme events associated with strong wind gusts.
	Extreme rainfall-flooding	Damage caused by increased frequency and intensity of extreme events associated with rainfall and flooding.
	Forest fires	Damage caused by an increased incidence of extreme events associated with forest fires.
Chronic physical risks	Sustained temperature increase	Damage caused by a gradual and sustained increase in the Earth's average temperature over time.
	Changes in rainfall patterns	Damage caused by sustained alterations in rainfall patterns.
Chronic physical opportunities	Sustained temperature increase	Revenue increase associated to increased electricity demand due to sustained temperature increase.

Climate scenarios used

The use of theoretical climate scenarios is a major component of climate risk and opportunities analysis, especially with regard to modelling extreme weather events. It is designed to provide a starting point that can indicate which scenario is most likely to materialise. The scenario analysis is aligned with TCFD recommendations.

The scenarios used in the models show how physical phenomena of the climate system change in response to increases in greenhouse gases, including variables such as temperature increases, sea level rise and changes in the frequency and severity of extreme weather events.

To this end, climate impacts are assessed over a 15-year period, based on the statistical extrapolation of 35 years of historical data, taking into account various scenarios of long-term GHG emission reductions and how these affect the occurrence of extreme climate events. The emission reduction scenarios used in such an analysis are the relative concentration pathway (RCP) scenarios defined by the Intergovernmental Panel on Climate Change (IPCC), specifically the Fifth Assessment Report (AR5).

AR5 defines scenarios as relative concentration pathways (RCPs) that provide a range of GHG emissions and concentrations that allow projections of future climates beyond the 21st century. A set of four scenarios considering climate policies has been used in AR5:

- ▶ RCP 2.6, requires that carbon dioxide emissions would have started to decrease by 2020 and reach zero by 2100. It is likely to keep the global temperature increase below 2°C by 2100 compared to pre-industrial levels (1850-1900) and sees a 44% chance of limiting the temperature increase to below 1.5°C.
- ▶ RCP 4.5 is described by the IPCC as an intermediate scenario, emissions peak around 2040, then decline. An average temperature increase of about 2.7°C in 2100, compared to the period 1850-1900, is estimated.
- ▶ RCP 6, emissions peak around 2080 and then decrease. Temperature forecasts include continued global warming until 2100, resulting in a global temperature increase of 3-4°C by 2100.
- ▶ RCP 8.5, emissions continue to increase throughout the 21st century. IPCC estimates that the global temperature increase from pre-industrial levels will be above 3°C, and with a 62% probability it will exceed 4°C.

The four scenarios are not forecasts, but a range of possibilities described in different research. RCP8.5 is considered to have high GHG emission rates. The RCP6.0 and RCP4.5 scenarios can be considered as medium mitigation scenarios, while RCP2.6 can be considered as the lowest degree of emissions.

One of the main differences between these scenarios is the development of emission reduction technologies. The climate effects of these reductions will be seen in 2050 and beyond, not in the short term, so the RCP scenarios diverge slowly over time and in the short term result in similar climate projections:

- › The climate adapts slowly to direct emissions, i.e., the increase of GHG potential in the atmosphere is observed in forms of extreme weather only after at least a decade.
- › Most scenarios do not count on drastic emission reductions right away, not even the most ambitious 1.5°C temperature increase scenarios.

Given that the current analysis focuses on a time horizon of 15 years and the relevant effects of severe climate events occur in the longer term, it has been decided to use only the RCP8.5 scenario, which is the most pessimistic scenario, as it estimates a sustained increase in GHG emissions throughout the 21st century and also considers that no specific measures are taken to combat climate change, leading to temperature increases of over 3°C by the end of the century. Therefore, this is the only scenario where, over a 15-year period, the impacts of physical risks could be material, but not the impacts of physical opportunities.

Impacts of physical climate risks and opportunities

The following table shows the assessment of the impacts of the physical risks identified under the climate scenario analysis and the effects on the company's assets and activity. These impacts have been classified as low, medium or high given the degree of uncertainty and immaturity of existing assessment methodologies in the analysis of these risks and the long-term effect of their potential impacts.

Assessing impacts

Ranking	Type of risk/opportunity	Relevance time horizon	RCP 8.5 Scenario
Acute physical risks	Extreme winds (cyclones, hurricanes, gales)	Medium/Long	Low
	Extreme rainfall-flooding	Medium/Long	Medium
	Forest fires	Medium/Long	Low
Chronic physical risks	Sustained temperature increase	Medium/Long	Medium
	Changes in rainfall patterns	Medium/Long	Low

Time horizons: short 2030, medium 2040; long 2050.

Risk

High. Medium. Low.

As can be seen in the table, as a result of the analyses carried out, the impact of natural disasters has a low or medium effect in the medium and long term under the most pessimistic climate scenario, which could be mitigated with the mitigation measures implemented.

Transition risks and opportunities assessment

Transition risk and opportunities assessment aims to provide a quantitative and prospective analysis of how climate change may affect the profitability of an activity or a company. It provides information on how current and future climate policies and regulation, technological developments in terms of energy efficiency, new energy sources or carbon capture and the evolution in the supply and demand of decarbonised products and services or the increase in production costs that could affect the company, based on the costs necessary to align the business model to these trends and the new business opportunities that arise.

Types of transition risks and opportunities

Ranking	Type of risk/ opportunity	Potential impacts for Naturgy
Transition risks	Implementation of carbon pricing mechanisms (taxes, emissions trading schemes) in the country.	An increase in the price of CO ₂ issued by the company.
	Market risk affecting the distribution and commercialisation of natural gas.	Decline in gas demand due to energy transition, resulting in lower revenues. Decrease in thermal electricity generation due to an increase in the share of renewable energy.
	Market risk affecting thermal power generation.	Depreciation of distribution assets due to a decline in gas demand. Depreciation of thermal generation assets due to an increase in the share of renewable generation.
	Litigation and sanctions related to alleged company or sectoral liability for climate change impacts.	Financial penalties for litigation due to non-compliance with environmental regulations. Reputational impact that could affect the value of the company.

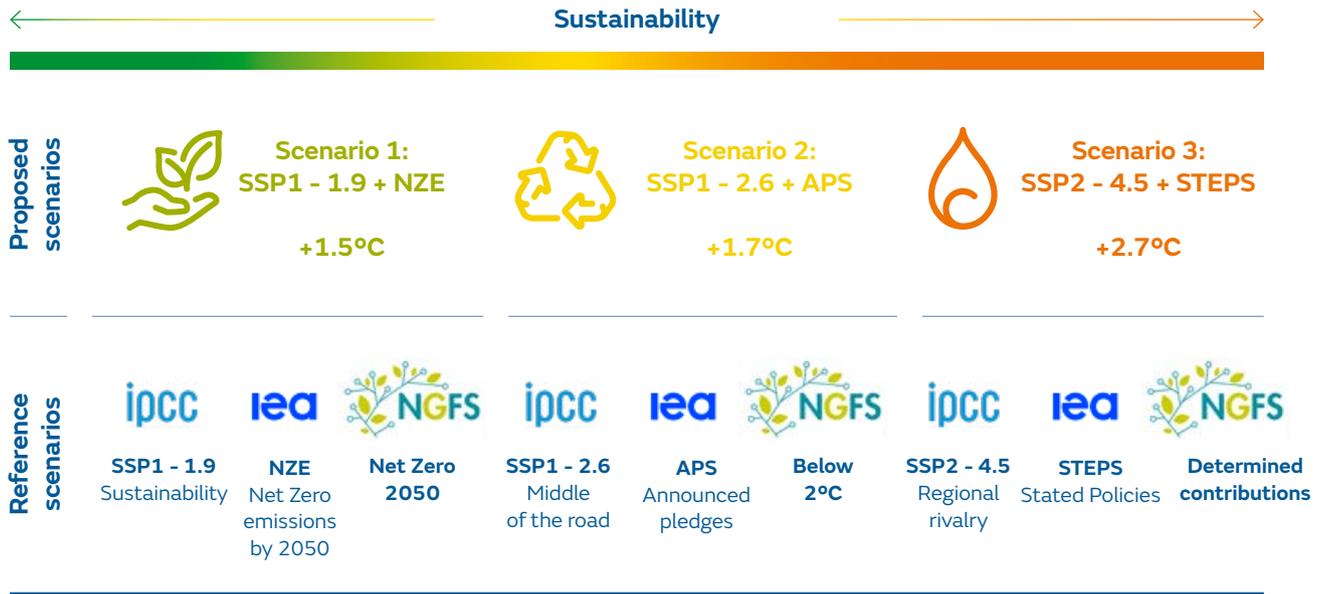
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Ranking	Type of risk/ opportunity	Potential impacts for Naturgy
Transition opportunities	Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation.	Revenues associated with new business lines (renewable gases and renewable energy). Increased benefits from self-consumption and distributed generation services.
	Increased electricity demand due to increased share of electrification.	Revenues associated with higher electricity distribution and commercialisation sales.
	Use of public sector incentives	Award of grants to facilitate the energy transition.

For this assessment, three global theoretical climate scenarios grouped by climate ambition based on scenarios provided by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC) and the Network for Greening the Financial System (NGFS) were used. In two of these scenarios global temperature is not going to increase by more than 2°C by 2100 relative to pre-industrial times, meeting the TCFD recommendation, while the third one, less ambitious, foresees a slower adoption of global commitments and policies that could lead to temperature increases of 2.7°C.

Transition risk and opportunities assessment aims to provide **a quantitative and prospective analysis** of how climate change may affect the profitability of an activity or a company.

Global energy transition scenarios



- › Scenario 1 NZE (Net Zero Emissions): This is the most ambitious climate scenario, in which net zero emissions will be reached by 2050, with several developed economies reaching zero emissions ahead of schedule. It is a scenario with sustainable and rapid social and economic growth, leading to a global temperature increase of no more than 1.5°C by 2100. This first scenario considers more ambitious assumptions than the others, such as:
 - The introduction of a regulatory framework that encourages the reduction of the sale and consumption of fossil fuels, the allocation of a cost to CO₂ emissions and the development of clean technologies.
 - Rapid economic growth, thanks to the creation of thousands of jobs related to the energy transition to renewable energy. On the other hand, society is more environmentally committed and enjoys a better quality of life. It also achieves the 2030 Agenda, highlighting global energy access and improved air quality.
 - Reduction of regional differences in per capita income; in addition, average GDP growth of about 3% per year is expected.
 - There are investments in the energy sector, such as the development of electric means of transport, fuels that generate lower emissions, and technologies for clean energy production (wind, solar, among others). It is estimated that the market share of electricity generation in 2050 will be 100% renewable.

- › Scenario 2 APS (Announced Pledges Scenario): This scenario assumes that all climate commitments made by governments around the world, including Nationally Determined Contributions and long-term Net Zero targets, as well as targets for access to clean electricity, will be met in full and on time. However, only economies aiming for net-zero emissions by 2050 will achieve this, through international cooperation and social involvement and the gradual reduction of fossil fuel use and prices, while CO₂ prices will become more expensive. A temperature increase of no more than 1.7°C is projected for 2100. Some of the hypotheses raised by this scenario include:
 - Increasing policies, initiatives and new regulatory frameworks to comply with the climate agreements set by each country. International cooperation is carried out to foster economic growth and the transition to sustainability in the various economic sectors, promoting the use of alternative fuels and technologies.
 - Improved societal engagement, supporting the achievement of the 2030 Agenda. In terms of quality of life, there is a lot of investment in health, education, and various programmes to provide access to clean energy in low-income countries, so jobs are expected to be created to implement renewable energy and increase energy efficiency.
 - Average annual world GDP growth of 3.3%. Governments and companies around the world carry out better environmental practices and investments in clean energy. To achieve universal access and transformation of energy production, high investments are required, especially in the industries most closely linked to fossil fuels.
 - There is a reliance on solar and wind power in the energy sector and an increase in carbon capture, utilisation and storage and nuclear energy. On the other hand, investment in sustainable technologies in services such as transport increases.
- › Scenario 3 STEPS (Stated Policies Scenario): In this scenario, a slowdown in the acquisition of more ambitious commitments or potential breaches of commitments made are considered. Policies are adopted to reduce the use of fossil fuels, but demand remains high and investment in renewables is conservative. As a consequence, developed economies will not reach net zero emissions in 2050 and global temperature will rise 2.7°C by 2100. Some of the hypotheses raised by this scenario include:
 - It is assumed that governments do not meet all announced climate targets, only those that are currently feasible. The targets that are met are examined sector by sector, considering the policies put in place, related to energy transition and environmental sustainability.
 - Demand for fossil fuels remains constant compared to current consumption, thus delaying the transition to sustainable energy use. In view of this situation, different programmes are implemented to try to increase the use of renewable energies worldwide. Investments are focused on meeting energy demand up to 2050.
 - A commodity market is sought where a wider range of suppliers can be found. Furthermore, there is still dependence on fossil fuel imports. The current risk with regard to price volatility in energy markets remains.

Impacts of transition risks and opportunities

The following table shows the assessment of the impacts of the transition risks and opportunities identified under the climate scenario analysis described above. The representation has been made in terms of low, medium and high impact, given the degree of uncertainty and immaturity of existing assessment methodologies in the analysis of these risks, the long lead times for the materialisation of some of these risks, and the uncertainty about the direction of global climate change measures and commitments.

Assessing impacts

Ranking	Type of risk/ opportunity	Relevance time horizon	NZE Scenario	APS Scenario	STEPS Scenario
Transition risks	Implementation of carbon pricing mechanisms (taxes, emissions trading schemes) in the country.	Short/Medium	Medium	Medium	Low
	Market risk affecting the distribution and commercialisation of natural gas.	Medium/Long	Medium	Low	No impact
	Market risk affecting thermal power generation.	Medium/Long	Medium	Low	No impact
	Litigation and sanctions related to alleged company or sectoral liability for climate change impacts.	Short/Medium/Long	Low	Low	Low
Opportunities	Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation.	Short/Medium/Long	High	High	Medium
	Increased electricity demand due to increased share of electrification.	Short/Medium/Long	Medium	Medium	Medium
	Use of public sector incentives.	Short/Medium	Low	Low	Low

Time horizons: short 2030, medium 2040; long 2050.

Risk High. Medium. Low. **Opportunity** High. Medium. Low.



The following conclusions are the result of the analyses carried out:

- ▶ As can be seen in the table, transition risks are higher in the more ambitious scenarios (NZE and APS), while there are more opportunities in the use and promotion of renewable energy. Negative and positive impacts are expected to increase over time and to intensify in greener scenarios or those linked to a more accelerated energy transition. This is due to the corresponding increase in CO₂ prices and the higher costs required to achieve reductions (investments in renewable installations, decarbonisation-promoting technologies, enhanced energy efficiency measures, etc.). In fact, carbon cost is expected to increase over the next decade due to the implementation of more ambitious global decarbonisation regulations. As actions to adapt to the transition measures are implemented, these risks will also be reduced.
- ▶ The transition risks, associated with the variation in natural gas demand due to decarbonisation and the increase in the share of renewable electricity generation, are particularly relevant in the NZE and APS scenarios (where the energy transition is expected to be faster and more restrictive), following an increasing trend over the different time horizons.
- ▶ According to the analyses carried out, the impacts on reputation and possible sanctions derived from potential litigation due to Naturgy's alleged responsibility for climate change would have the least impact.
- ▶ On the other hand, the fall in gas demand and the reduction of fossil fuel generation, especially in the scenarios with higher climate ambition, imply potential benefits derived from the promotion of renewable gas consumption, the increase in the share of renewable generation, the growth of electricity distribution and sales, and the increase in opportunities to offer value-added services to customers that will allow them to reduce energy costs and carbon footprint, which could offset the negative impacts derived from market risks.

The speed of the energy transition, defined by decarbonisation policies, consumer behaviour, technological innovation or the geopolitical, social and economic situation, will thus have a significant impact on the evolution of the energy mix and the demand of each type of energy.

In terms of transition risks, Naturgy's positioning since 2018 and endorsed in the Strategic Plan 2021-2025 based on renewable energies and networks, places the company in a favourable position to face these risks.

In 2023, short, medium and long-term planning is in line with the commitments established in the Paris Agreement and the agreements reached at COP 28 in Dubai, to carry out an energy transition in a fair, orderly and equitable manner to achieve net zero emissions by 2050, tripling renewable energy and doubling energy efficiency by 2030 and gradually replacing fossil fuels with low-carbon energy. At the Spanish level, it is also consistent with the draft National Integrated Energy and Climate Plan 2023-2030 (PNIEC).

This is described in Note 2.4.25.k. - Climate Change and the Paris Agreement, from the 2023 Consolidated Annual Report, explaining the impacts of climate risks on the financial statements.

On a recurring basis, the company will continue to update its operational and energy transition plans based on the evolution of all factors influencing the assessment of climate risks.

In this way, Naturgy operates at all times on the basis of a business model aligned with the maximum level of ambition of the Paris Agreement, i.e. aligned with the goal of limiting the increase in global temperature preferably to 1.5°C or below 2°C, and to this end it has defined strategic lines and targets to put the Company on track to achieve zero net emissions in its three scopes by 2050.

Climate risks and opportunity management

For climate risks, Naturgy relies on the TCFD recommendations described above and on the company's risk management model detailed in the Risk Management section of the "Integrity and Trust" chapter.

Naturgy has therefore implemented various mitigation and adaptation measures to limit impacts, reduce vulnerabilities and increase the resilience of its infrastructures and activities in the face of climate change or climate policies.

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Main risks linked to climate change at Naturgy

Identification		Risk management		
Type	Risks in detail	Impact detail	Management and mitigation	Adaptation measures
Acute physical risks	Extreme winds.	Damage to facilities, loss of production and/or prolonged interruption of the wind generation business.		Implementation of measures in case of adverse weather warnings such as safe shutdowns of wind farms.
	Tropical cyclones.	Damage to facilities, loss of production and/or prolonged interruption of thermal and wind generation business.	Physical risk mitigation: considered and integrated into the design and construction of assets. All facilities are designed to operate under extreme weather conditions.	Design of facilities guaranteeing their protection against rainfall variations, etc. For example, flood risk studies, dam safety, etc. Flood protection structures.
	Coastal flooding.	Damage to facilities, loss of production and/or prolonged interruption of the thermal generation business.	Policies for property damage/loss of profit, environmental liability and land liability.	
	Extreme flooding.	Material damage to hydropower plants.	Emergency plans for all facilities, continuously updated. Emergency plans and malfunction management.	Construction of a dam at the Torito power station, designed to withstand considerable flooding. Construction of retaining walls and modification of the shaft aeration pipe to prevent water ingress in the event of flooding. Constant monitoring of the river channel by means of automatic cameras and aerial photography by drones.
	Increased frequency and severity of fires	Damage to facilities, loss of production and/or prolonged interruption of business and power supplies. Electricity distribution.	Policies for: property damage/loss of profit, environmental liability and land liability. Innovation projects for the improvement of felling and pruning work for the maintenance of power line safety corridors.	The electricity distribution business in Spain has developed the GALA project, which consists of creating a digital model of the networks, using drone images to detect the areas of vegetation proximity and scheduling felling and clearing for the maintenance of the safety corridor.

Continues >

Identification		Risk management		
Type	Risks in detail	Impact detail	Management and mitigation	Adaptation measures
Chronic physical risks	Effects of increased temperature.	Reduced productivity/labour availability or changes in the efficiency of production processes in thermal generation and, in general, in outdoor operational activities and administrative (office) activities.	<p>All facilities are designed to operate in extreme weather conditions, taking into account extreme weather events.</p> <p>All risks to employees are assessed, including the effects of heat waves.</p>	<p>Operational efficiency plan that establishes objectives to improve specific consumption in thermal power stations, compensating for efficiency losses due to temperature increases.</p> <p>Actions (“Fogging systems”) to improve airflow and compensate for power reduction as a result of increased ambient temperature in thermal generation facilities. Adaptation of outdoor work plans and air conditioning to high temperatures. Hydration and personal protection guidelines.</p>
		Drop in demand for natural gas for heating (residential and commercial).		Increase the contribution of electricity vs. gas businesses.
	Changes in rainfall patterns and extreme variability of weather patterns.	<p>Changes in the generation dispatch.</p> <p>Changes in the price of electricity in the wholesale market.</p> <p>Low river flows.</p>	<p>Study of the impact of climate change on hydropower plants.</p> <p>Dominant position of combined-cycle power stations to support the production of electricity from renewable sources.</p>	<p>Hydropower plant repowering programme.</p> <p>Improving cooling water management systems to offset for possible reductions in river flows.</p>

It is concluded that no significant costs are currently expected for carrying out adaptation measures. Going forward, the company will monitor and broaden the analysis to conduct a more comprehensive climate resilience assessment according to the evolution of different scenarios.

We can also conclude that Naturgy has not recently suffered any loss at its facilities due to severe weather events.

Identification		Risk management	
Type	Risks in detail	Impact	Management and mitigation measures
Transition: policies and regulation	Implementation of carbon pricing mechanisms (taxes, emissions trading schemes) in the country	According to climate-ambitious scenarios, Naturgy's annual carbon cost exposure could increase due to the establishment of more ambitious regulations on decarbonisation targets and the estimated upward evolution of the carbon price.	Measures to reduce the company's carbon intensity: divestment of high carbon intensity assets (coal mine in South Africa, fuel oil power generation in Kenya), coal plants closure, development of new renewable power, increasing the weight of electricity in the company's portfolio and boosting renewable gases.
			<p>Positioning natural gas in the energy transition together with renewable gases and, as far as possible, as support for renewables and as a substitute for high-emission fossil fuels (coal and/or oil derivatives). In addition, participation in public policy-making and regulatory processes.</p> <p>The increase of renewable generation to the generation mix helps mitigate this risk: in 2023, the cost of compliance of Naturgy's facilities regulated by the EU ETS Directive has been reduced by almost Euros 190 million compared to 2022, mainly due to a reduction in thermal generation of electricity with combined cycles, equivalent to 2.5 MtCO₂.</p>

Continues >



Identification		Risk management	
Type	Risks in detail	Impact	Management and mitigation measures
Transition: market	Market risk affecting the distribution and commercialisation of natural gas and the thermal generation of electricity.	Changes in consumption habits and customers' predisposition towards more sustainable technologies and products, displacement of thermal generation by a higher renewable share, can have an impact on the results.	<p>Promote the development and generation of renewable gases (biomethane and green hydrogen), energy storage and other technologies for energy transition to a decarbonised economy. The targets of the Strategic Plan are:</p> <ul style="list-style-type: none"> › Increase installed renewable capacity up to approximately 10 GW. › Distribute 0.52 TWh of biomethane.
		<p>If the company does not remain aligned with the preferences of customers and other stakeholders, it could also affect its reputation.</p> <p>A failure to decarbonise in the face of investor and lender expectations could have a material adverse effect on the company's ability to use the funding in its future projects.</p>	<p>Developing new low-carbon or carbon-neutral products and services to pave the way to decarbonisation for our customers:</p> <ul style="list-style-type: none"> › Naturzero, a new brand launched in 2023 designed to accompany customers in their decarbonisation objectives, through actions to mitigate and adapt to climate change. › Management of Energy Saving Certificates (ESC), with the aim of incentivising investment in real energy efficiency actions, in turn optimising its contribution to the National Energy Efficiency Fund (FNEE). › Naturgy Solar, launched in 2022 to promote self-consumption by our customers in all market segments. It is a comprehensive and customised solution to facilitate access to photovoltaic solar energy and self-consumption, which will enable customers to achieve savings of up to 70% on their electricity bill. › In addition, in 2023 Naturgy launched its Virtual Battery, a new product integrated into its solar offer that allows customers with a photovoltaic system to accumulate the energy surpluses that are not remunerated in the bill as credit in a Virtual Battery and thus obtain an amount that reduces the cost of their energy bill. <p>Increase in the weight of electricity in the company's portfolio.</p>

Identification		Risk management	
Type	Risks in detail	Impact	Management and mitigation measures
Transition: reputational	Litigation and sanctions related to alleged company or sectoral liability for climate change impacts.	<p>Failure to decarbonise in line with the expectations of stakeholders, society and regulatory requirements, is a major risk to Naturgy's reputation as a responsible company and a leading energy company in the market.</p> <p>The impact of this risk includes possible litigation and penalties, shareholder divestment, increased regulatory scrutiny, tightening of financing or loss of customer share as a result of the public interest group protests.</p>	Naturgy's commitment to achieve net zero GHG emissions by 2050 and emission reduction targets and plans aligned with the Paris Agreement and climate policies.



Management of climate change opportunities

Naturgy believes that the opportunities arising from the decarbonisation of the global economy (growth in renewables, investments in inclusive smart grids, greater electrification, sustainable mobility, biomethane development, green hydrogen, etc.) outweigh the risks.

As with risks, opportunities linked to climate change are also identified. Those considered in the Strategic Plan 2021-2025 are:

Identification		Opportunity management
Type	Opportunities in detail	Management and use measures
Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation.	Development of new renewable installed capacity (solar and wind).	<p>Development of new renewable projects to decarbonise power generation. Reduce investment costs compared to other technologies, with the possibility of financing through instruments such as Green Bonds.</p> <p>Positioning in a growing market linked to renewable energies (Power Purchase Agreement, Guarantees of Origin, etc.). In the medium-term, combined-cycle power stations represent the best possible back-up for renewable energy.</p>
	Promotion and development of renewable gases	<p>The drive and innovation for the development of renewable gas (green hydrogen and biomethane) will provide a new energy product, which can replace natural gas, but with neutral CO₂eq emissions in a circular economy model.</p> <p>Renewable gas will maintain the value of distribution network assets in the long-term and decarbonise the energy that customers use with minimal changes to their facilities in a more efficient manner thanks to existing gas infrastructures.</p>
	Natural gas as energy for the energy transition.	<p>Penetration of natural gas and LNG in carbon-intensive markets to replace high-emission fossil fuels (coal, oil), in line with the pace of the international climate agenda.</p> <p>Supply of new products to offer customers a decarbonised alternative, such as Naturzero.</p>
	Self-consumption.	Development of new services to promote renewable self-consumption by customers, currently launched through Naturgy Solar.

Continues >

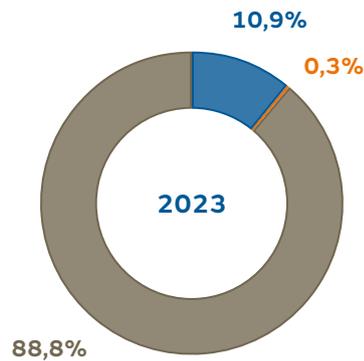
Identification		Opportunity management
Type	Opportunities in detail	Management and use measures
Use of low-emission energy sources and new technologies for self-consumption and promotion of decentralised generation.	Energy efficiency.	<p>Promotion of energy efficiency in both internal and customer processes, with a commitment to business models of energy service companies (ESCOs).</p> <p>Incentive for investment in real energy efficiency actions through the Management of Energy Saving Certificates (ESC).</p>
	Digitalisation to provide new customer services.	The use of technologies such as the Internet of Things (IoT) and artificial intelligence makes it possible to develop the figure of the active customer, that is, a customer that has tools for monitoring and controlling their facilities in order to consume energy more efficiently and integrate new services such as distributed renewable generation or electrical mobility.
	Smart and integrated networks (gas and electricity).	<p>The digitalisation and integration of electricity and gas grids will enable dynamic demand management, cost reduction, increased security of supply.</p> <p>In addition, smart networks, coupled with renewable gas generation from surplus electricity generated on wind or solar farms, will enable energy storage by taking advantage of existing infrastructures, without the need for additional batteries, and on the scale required to meet seasonal variations in demand.</p>
	Sustainable mobility.	Penetration in the road and maritime mobility sector through the development of electric and gas solutions, which allow the reduction of CO2 emissions, the improvement of air quality and the obtaining of economic savings for users. In the case of maritime transport, LNG is the most eco-efficient alternative in terms of GHG emissions.
Increased electricity demand due to increased share of electrification.	Strengthening the position in the electricity business.	Growth in the electricity distribution business associated with the growing trend towards electrification of the economy.
Use of public sector incentives	Receipt of public subsidies aimed at the energy transition.	<p>Opportunity associated with the receipt of public grants for contributing to the energy transition for projects that would otherwise be unprofitable.</p> <p>Strengthening governance and policies on sustainability and climate change to cover requirements for subsidies, while also improving the expectations of customers, investors and society in general. Improvement of the position with ESG investors and access to improved conditions of funding.</p>

Objectives and metrics

The carbon footprint at a glance

Footprint 2023

114.6 M tCO₂eq



- Scope 1.
- Scope 2.
- Scope 3.

Carbon footprint reduction between 2017 and 2023

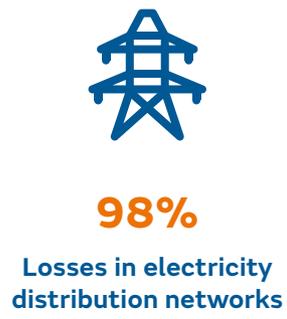
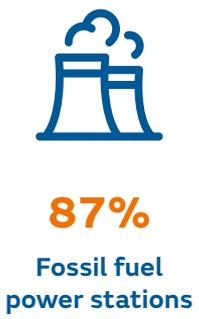
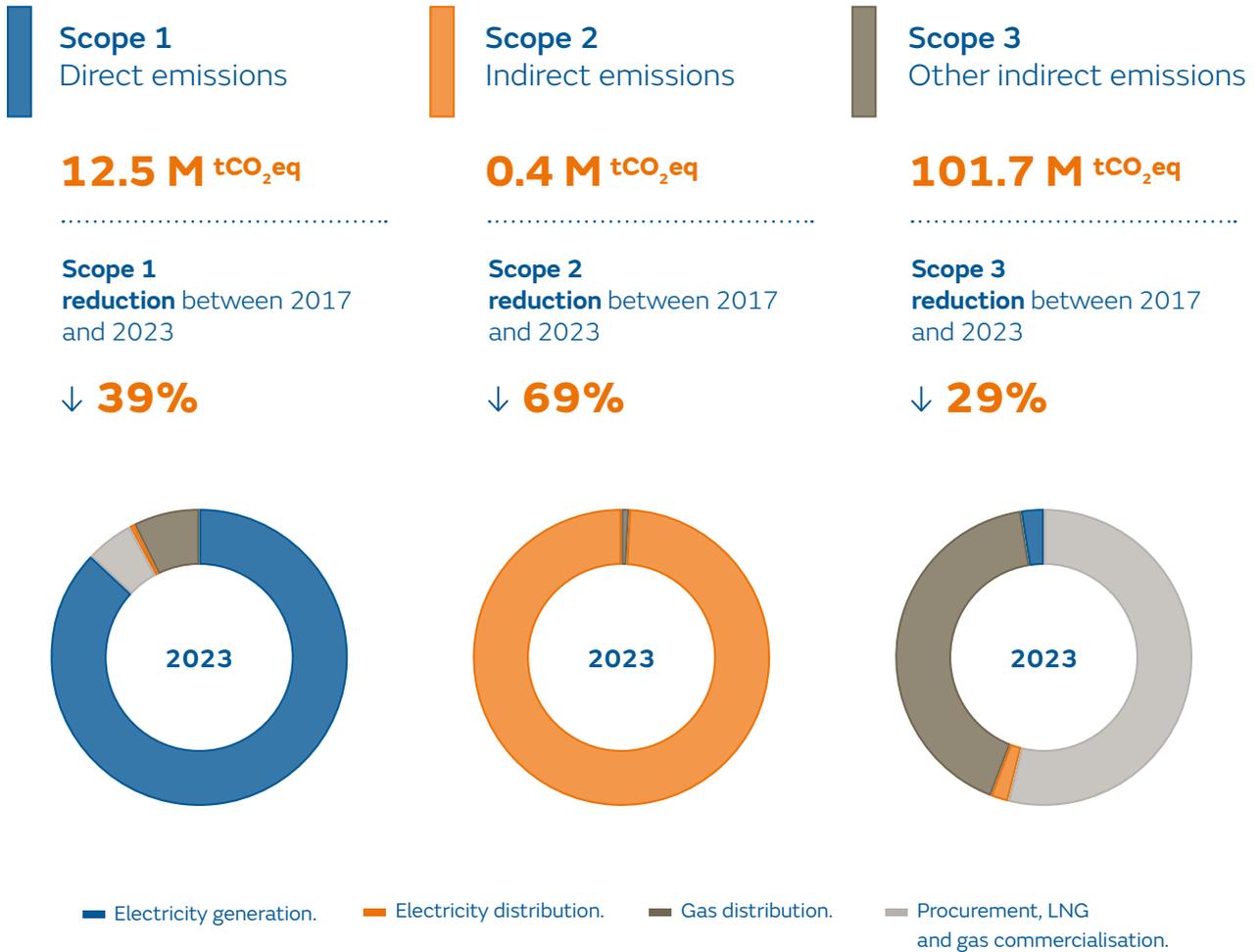
↓ **41%**

Emissions scopes 1 and 2

↓ **30%**

Total carbon footprint (scopes 1, 2 and 3)





Total offset emissions in 2023 **459.595 tCO₂eq**

Carbon footprint inventory

— Total GHG emissions (tCO₂eq)

	2023	2022
Scope 1	12,463,378	14,741,483
Scope 2	397,497	363,489
Market	0	0
Location	397,497	363,489
Scope 3	101,726,269	110,079,558
Goods and services purchased	186,131	
Capital goods	0	
Activities associated with upstream fuels and energy	25,367,070	28,990,579
Coal	0	
Natural gas	22,738,966	26,448,521
Oil	263,439	256,060
Electricity	2,364,665	2,285,998
Transport and distribution of goods	0	
Waste produced in the operation	0	
Business trips	2,068	1,212
Mobilisation of employees	5,408	5,489
Upstream leased goods	0	
Downstream transport and distribution	0	
Procedure for products sold	0	
Use of products sold: natural gas	76,165,592	80,838,787
End-of-life processing of products sold	0	
Downstream leased goods	0	
Franchises	0	
Investments	0	
Total	114,587,144	125,184,530

NB: for Scope 3 emissions, within the categories defined by the GHG Protocol, those weighing less than 1% have been excluded, as long as the sum of all of them does not exceed 5%.

Scope 1 emissions have decreased by 2.3 MtCO₂eq. This decrease in emissions is mainly due to two factors:

- › Renewable generation in Spain increased by 46% compared to the previous year, driven by improved conditions for hydropower production, which were double the 2022 values (108%), and for solar and wind production, which generated 53% and 15% more respectively. Therefore, to meet Naturgy's electricity demand, production from combined cycle power stations has fallen by 7,709 GWh. By contrast, combined cycle power stations in Mexico have increased their generation by 1,222 GWh. Considering the average emission factor of the cycles to be of 357 tCO₂eq/GWh the net decrease in production means a decrease in emissions of 2.3 MtCO₂eq.
- › Increase in production in the Dominican Republic from thermal power plants of 128 GWh, which has meant an increase of 0.1 MtCO₂eq.
- › Better management of fugitive emissions in gas distribution and especially in Argentina have led to a reduction of -0.1 MtCO₂eq.

Scope 2 emissions have remained almost unchanged with a difference of 0.03 MtCO₂eq during 2023 compared to 2022.

Scope 3 emissions have decreased by 8.35 MtCO₂eq. This decline is mainly due to two factors:

- › Indirect emissions from downstream end-use of gas vehicles (category A3.11) have been reduced by 4.7 MtCO₂eq due to falling demand for natural gas in final consumption, in Spain due to higher prices compared to years prior to 2022 and to a lesser extent due to unusually high temperatures. The non-recovery of prices to pre-2022 levels and the adjustments made by countries in terms of energy efficiency and security of supply have also affected wholesale gas demand in Europe. In Chile and Brazil, inflationary trends continue to affect commodity prices, which has led to slight falls in consumption. The decrease in the volume of international LNG sales can be attributed to Europe's policies aiming to ensure gas supply, along with measures to promote energy efficiency and the expansion of renewable capacity aimed at reducing dependence on external sources. Thus, the gas vehicle consumption outside the organisation (indirect consumption), after deducting own consumption and double bookkeeping, has been reduced to 418.6 TWh in 2023, which represents a reduction in emissions of 4.7 MtCO₂eq in terms of emissions.
- › Upstream indirect emissions of vehicle gas (category A3.3) have been reduced by 3.6 MtCO₂eq mainly due to the decrease in the vehicle gas already mentioned.

Inventory of GHG emissions Scopes 1, 2 and 3 by country (tCO₂eq)

Country	Scope 1	Scope 2	Scope 3
Spain	5,815,317	9,163	31,463,956
Mexico	5,378,964	0	4,958,271
Chile	49,908	1,670	5,627,026
Dominican Republic	486,852	0	203,232
Argentina	666,044	98,258	21,376,888
Brazil	46,739	500	7,841,041
Panama	1,925	286,542	1,631,849
Costa Rica	5	0	15
Australia	17,624	1,364	168
Rest	0	0	28,623,823
Total	12,463,377.9	397,497	101,726,269

Inventory of GHG emissions Scopes 1, 2 and 3 by business area (tCO₂eq)

	Scope 1	Scope 2	Scope 3
Generation Spain	5,045,620	0	1,355,731
International generation (GPG)	5,853,290	1,363.6	1,187,626
Procurement, LNG and Commercialisation	686,542	0	53,696,861
Gas distribution Spain	60,002	502.28	5,251,227
Electricity distribution Spain	21,869	8,660.88	97,477
Gas distribution Argentina	664,290	2,014	20,430,158
Electricity distribution Argentina	0	94,918	635,930
Gas distribution Brazil	41,287	284	7,838,468
Gas distribution Chile	49,115	771	5,431,170
Gas distribution Mexico	33,489	0	3,974,446
Electricity distribution Panama	1,880	286,542	1,631,408
Corporate	5,993.8	2,442	195,768
Total	12,463,378	397,497	101,726,269

GHG emissions intensity ratio

							2023
	Electricity generation	Gas distribution	Electricity distribution	Gas infrastructure	Commercialisation	Corporate	Total
CO ₂ (tCO ₂ eq)	10,846,621	19,375	0	660,512	11,828	5,729	11,544,065
CH ₄ (tCO ₂ eq)	28,297	828,799	0	13,326	29	23	870,475
N ₂ O (tCO ₂ eq)	5,541	9	0	834	6	33	6,423
SF ₆ (tCO ₂ eq)	17,441	0	23,749	5	1	0	41,196
HFC (tCO ₂ eq)	1,011	0	0	0	0	208	1,219
PFC (tCO ₂ eq)	0	0	0	0	0	0	0
Total group	10,898,910	848,183	23,749	674,678	11,865	5,994	12,463,378
Net turnover (€M)							22,617
Ratio (tCO₂eq/€M)							551
							2022
	Electricity generation	Gas distribution	Electricity distribution	Gas infrastructure	Commercialisation	Corporate	Total
CO ₂ (tCO ₂ eq)	13,111,844	6,694	0	643,877	14,639	7,694	13,784,749
CH ₄ (tCO ₂ eq)	7,246	903,420	0	11,209	37	32	921,944
N ₂ O (tCO ₂ eq)	6,671	4	0	1,953	7	48	8,682
SF ₆ (tCO ₂ eq)	536	0	23,054	0	7	0	23,596
HFC (tCO ₂ eq)	2,065	0	0	0	0	447	2,511
PFC (tCO ₂ eq)	0	0	0	0	0	0	0
Total group	13,128,361	910,118	23,054	657,039	14,690	8,221	14,741,483
Net turnover (€M)							33,965
Ratio (tCO₂eq/€M)							434

The increase in the ratio of emissions by net turnover increase (tCO₂eq/€M) is due to the fact that the decrease in Scope 1 emissions in 2023 compared to the previous year (-15%) was lower than the recorded decrease in net turnover for the same time period (-33%), resulting in a 27% higher intensity ratio.

Other climate change indicators

	2023	2022
Emission intensity in electricity generation (tCO ₂ /GWh) ^(*)	247.1	279.31
Emissions associated with electric power supplies ^(**) (MtCO ₂ eq)	7.8	10.2
Installed emission-free electricity generation capacity (%)	41	37
Net electricity production free of emissions (%)	37	29
Total installed capacity in renewable electricity generation (MW)	6,416	5,462
Increase in installed capacity in renewable electricity generation compared to the previous year (%)	17	6
Emissions by leaks in gas networks (tCH ₄ /km network)	0.210	0.237
Emissions by leaks in gas networks (tCO ₂ eq/km network)	6.0	6.6
Fugitive natural gas relative to gas transported and distributed in gas networks (%)	0.14	0.15

^(*)This ratio corresponds to direct CO₂ emissions from electricity generation (Scope 1) divided by electricity produced.

^(**)Emissions associated with electricity supplies include all customers, both retail and wholesale.

The emission intensity of electricity generation has improved compared to the previous year due to the fact that 2023 has been a wetter year in Spain which, together with increased wind and solar energy generation, has decreased the production of electricity from combined-cycle power stations and is slightly above the 2023 target path value, 253.58 tCO₂/GWh.

As can be seen, emissions from gas leaks have decreased by 11% in terms of tCH₄/km. This trend is reversed compared to previous years due to better management of fugitive emissions in gas distribution and, especially in Argentina, have led to a reduction of -0.1 MtCO₂eq.

GHG emissions reduction and associated energy savings

Naturgy has achieved significant reductions in GHG emissions, both direct and indirect, through initiatives that prioritise energy efficiency and the adoption of cleaner technologies. This not only helps mitigate climate change but also produces tangible energy consumption savings. The criteria considered for quantifying these reductions are summarised below:

- › Projects and activities must have quantifiable GHG emission and energy reductions against a baseline, which is defined on a case-by-case basis and measured over a specific period.
- › They are calculated as the difference between emissions from “with project” and “without project” scenarios. Those from the “with project” scenario represent the actual level of GHG emissions. Those from the “without project” scenario represent the GHG emission levels that would have been achieved with other more emitting sources if the project were not implemented.
- › The emission factors used for the “with project” and “without project” scenarios are obtained following the 2006 IPCC guidelines for the preparation of national GHG inventories.
- › Calculations are made in accordance with the United Nations Framework Convention on Climate Change (UNFCCC) methodologies and tools for the Clean Development Mechanism (CDM) projects.

Naturgy has achieved **significant reductions in GHG emissions**, both direct and indirect, through initiatives that prioritise energy efficiency and the adoption of cleaner technologies. This not only helps mitigate climate change but also produces tangible energy consumption savings.

Initiatives for reducing GHG emissions and associated energy savings

Initiatives	Emissions reduction 2023 (tCO ₂ eq) ⁽¹⁾	Energy savings 2023 (GWh)	Emissions reduction 2022 (tCO ₂ eq) ⁽¹⁾	Energy savings 2022 (GWh)
Natural gas: displacement of more emission-intensive fuels such as coal and oil derivatives	102,423,666	151,539	102,483,501	152,812
Electricity production	75,091,734	132,394	76,619,897	134,852
Industry	15,707,888	7,032	14,945,839	6,579
Residential/Commercial	9,584,674	10,069	8,863,550	9,322
Transport	2,039,370	2,043	2,054,215	2,058
Co-generation ⁽²⁾				
Renewable energies: displacement of fossil fuel generation	7,146,394	25,592	6,295,743	23,667
Wind farms	4,001,099	14,537	3,326,930	12,663
Hydroelectric production	2,495,579	8,584	2,377,780	9,002
Photovoltaic production	635,765	2,471	562,079	2,002
Renewable gases (biomethane and hydrogen)	13,951	0	28,954	0
Energy savings and efficiency in own and customers' facilities	648,079	2,600	835,969	2,664
Own facilities: Energy Efficiency Operations Plan				
Renewal of gas transmission and distribution networks	104,403	67	355,088	229
Actions in electricity distribution	59,227	203	28,125	114
CCGTs	386,772	1,794	292,542	1,439
Fuel oil-fired power stations	681	3	0	0
Customer facilities				
Energy services	96,998	533	160,214	882
Other				
Nuclear production	2,455,962	-4,325	2,226,473	-5,265
Total	112,674,102	175,407	111,841,686	173,879

⁽¹⁾ The emissions reduction is calculated as the difference between the emissions of the “with project” and “without project” scenarios using the 2006 IPCC emission factors for the development of national GHG inventories and UNFCCC methodologies and tools for Clean Development Mechanism (CDM) projects.

⁽²⁾ The emissions reduction from the use of natural gas inco-generation in 2023 are included in electricity generation.



Climate neutrality target by 2050

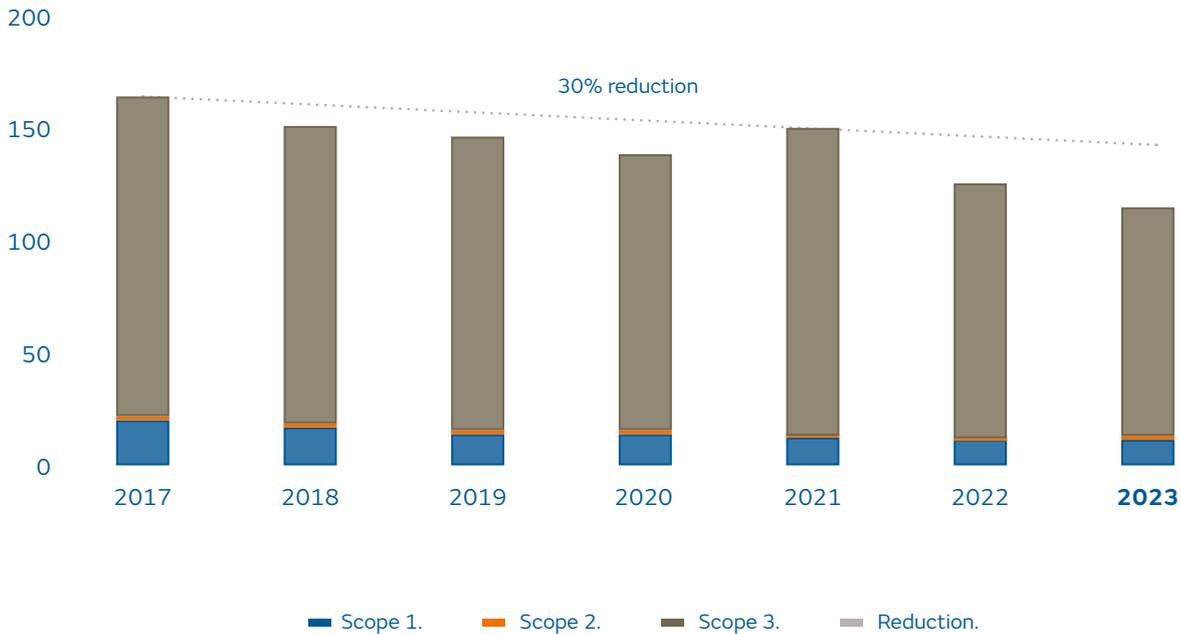
In the Strategic Plan 2021-2025, updated in 2023, Naturgy is committed to achieving climate neutrality, i.e. zero net GHG emissions, by 2050. This target includes all scopes 1, 2 and 3 of the carbon footprint, all greenhouse gases and applies to all of the company’s activities and geographies, with no exclusions. The priority is to reduce emissions as much as possible, considering, if necessary, the use of GHG emission absorption mechanisms to offset residual emissions.

Work is being done on emission reduction pathways in the three scopes with intermediate milestones to achieve net zero in 2050 according to the temperature scenarios of the Paris Agreement and in the case of Spain, additionally, with what is contemplated in the update of the National Integrated Energy and Climate Plan 2021-2030 (PNIEC) and supported by the draft 2023-2030 PNIEC for Spain, sent to the EU June 2023.

The difficulty in establishing these intermediate paths is the current uncertainty of the evolution of new non-emitting technologies alternative to natural gas and the energy and climate change policies implemented in each country where the company is present.

	Emissions	Approval year	Base year	Target (% reduction)	Target (MtCO₂eq)	2023 (MtCO₂eq)	2023 (% compliance)	Base year (MtCO₂eq)
Neutrality 2050 (net zero)	reduction)	Target	2017	↓100%	0.00	114.6	30%	164.5

Evolution of the carbon footprint (MtCO₂eq)



Intermediate targets for 2025 and 2030

Intermediate absolute emissions targets for 2025 and 2030

In 2015, Naturgy set targets to 2025 and 2030 taking 2012 as the base year to meet the requirements of the Science Based Target Initiative (SBTI) Tool v.8. The 2025 target has been updated as the 2021-2025 Strategic Plan has been revised in 2023.

The 2030 target is maintained as a medium-term goal aligned with science (Science Based Target).

- ▶ To reduce GHG Scope 1 and 2 emissions by 4.7% per year by 2030 compared to the base year 2012, a 58% decrease in absolute terms.

Naturgy’s short-term emission reduction targets established in its 2021-2025 Strategic Plan, updated in 2023, and included in the Sustainability Plan, are:

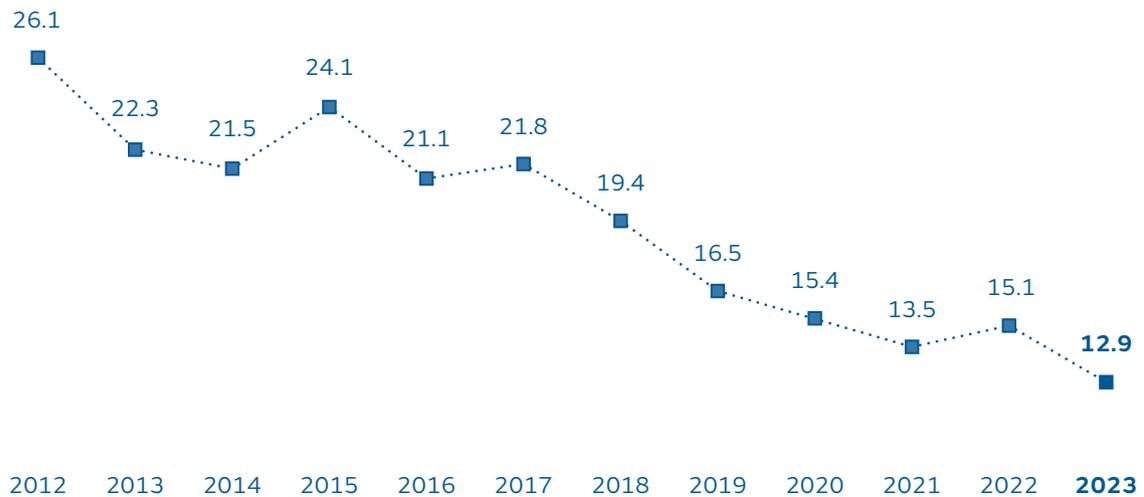
- ▶ To reduce GHG Scope 1 and 2 emissions by 50% in 2025 compared to the base year 2017.
- ▶ To reduce GHG Scope 3 emissions by 23% in 2025 compared to the base year 2017.

The targets set are aligned with the overall average reduction required under SBTi for a 1.5°C temperature increase scenario and for Scopes 1 and 2 and WB2DS for Scope 3. These objectives are not validated by the initiative since as of the date of this report SBTi has not published the validation protocol with the reference pathways for the oil & gas sector.

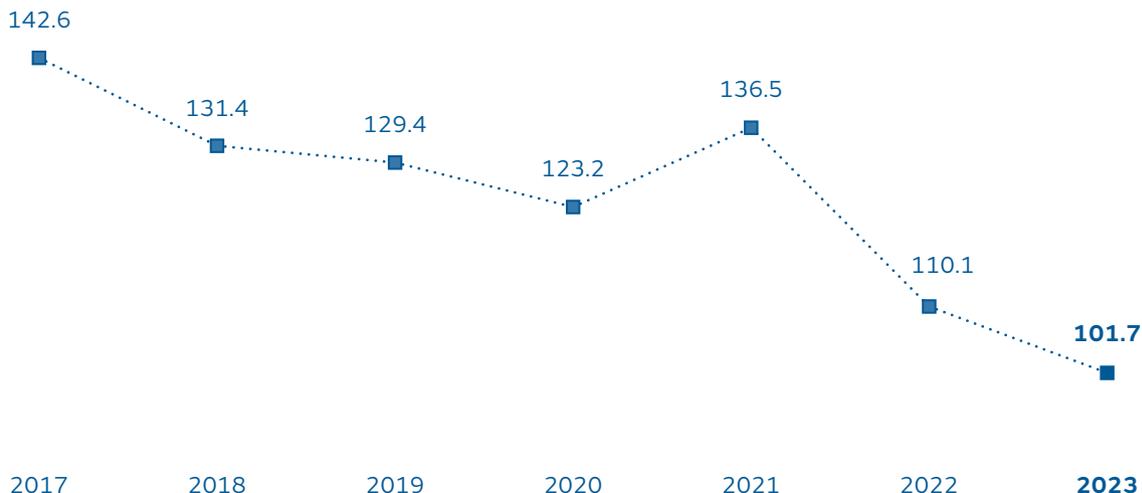
	Scope	Approval	Base year	Target (% reduction)	Target (MtCO ₂ eq)	2023 (MtCO ₂ eq)	2023 (% compliance)	Base year (MtCO ₂ eq)
Strategic Plan 2025	A1+A2	2021	2017	↓50%	11.0	12.9	83%	21.8
Strategic Plan 2025	A3	2021	2017	↓23%	109.4	101.7	123%	142.6
2030	A1+A2	2015	2012	↓58% (4.7% annual)	11.0	12.9	88%	26.1

Targets reformulated in 2023 with the updated values from the Strategic Plan 2025.

— GHG Emissions Scopes 1 & 2 (MtCO₂eq)



GHG Emissions Scope 3 (MtCO₂eq)



Intermediate emissions intensity targets for 2025 and 2030

Emissions intensity targets are expressed as the amount of CO₂ emitted per electrical energy produced (tCO₂/GWh) and cover the activity of generation, which is responsible for nearly 90% of the company’s direct emissions.

In 2015, Naturgy set emissions intensity targets to 2025 and 2030 taking 2012 as the base year to meet the requirements of the Science Based Target Initiative (SBTI) tool v.8. The 2025 target has been updated as the 2021-2025 Strategic Plan has been revised in 2023.

The 2030 target is maintained as a medium-term aligned goal, although it has not been validated by science (Science Based Target):

- › Reduce the GHG emissions intensity of electricity generation by 4.8% per year by 2030 compared to the base year 2012, a 52% decrease in absolute terms.

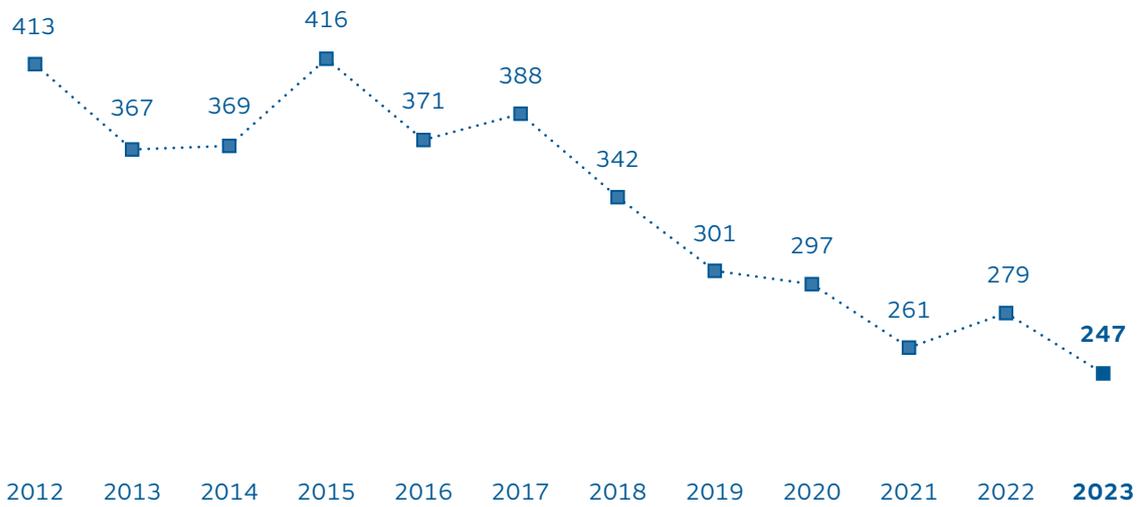
Naturgy’s short-term emission reduction targets established in its 2021-2025 Strategic Plan, revised in 2023, and included in the Sustainability Plan, are:

- › Reduce the GHG emissions intensity of electricity generation by 49% by 2025 compared to the base year 2017.

	Approval year	Base year	Target (% reduction)	Target (tCO ₂ /GWh)	2023 (tCO ₂ /GWh)	2023 (% compliance)	Base year (tCO ₂ /GWh)
Strategic Plan 2025	2021	2017	↓49%	199	247	75%	388
2030	2015	2012	↓52% (4% anual)	199	247	75%	413

Objetivos reformulados en 2023 con actualización valores Plan Estratégico 2025.

Electricity generation carbon intensity (tCO₂/GWh)

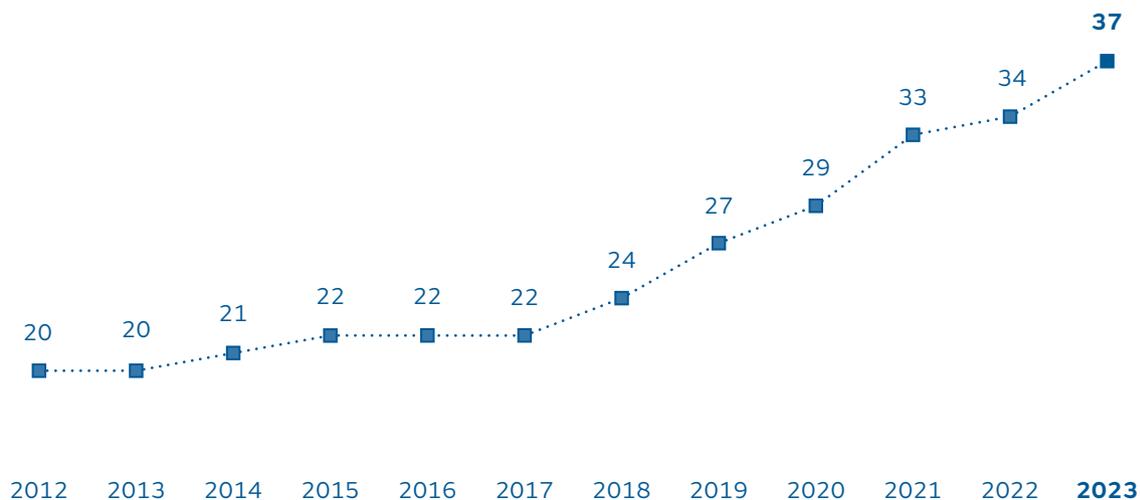


Renewable energy target

The commitment to renewable energies is one of the strategic lines for the reduction of emissions. Accordingly, one of the targets of the Strategic Plan is that of reaching a 48% of renewable installed power in the generation mix by 2025. This value has been updated in 2023 with the revision of the Plan.

In Spain, 575 MW of renewable power came into operation in 2023, of which 541 MW is wind power and 34 MW is solar power. In Australia, Berrybank II (109 MW) has entered into operation in 2023, along with 21 MW of solar power in Chile and 300 MW of wind power in the US. On the other hand, 51 MW of La Joya hydropower plant in Costa Rica have been removed from the consolidation perimeter due to the end of the PPA period with ICE.

Renewable power (%)



Carbon Price

Naturgy uses different carbon price references depending on the objective pursued with the use of carbon. For example, it uses a CO₂ cost reference of around Euros 40/tCO₂ for example:

- › Strategic decision-making.
- › Investment analysis.
- › Identifying opportunities according to the degree of maturity in low-carbon technologies.
- › Climate change and energy transition risk analysis, and stress testing.
- › Analysis of climate change and GHG regulation.

This is an average unit price applicable to all the company's businesses and is characterised by being a stable reference in the short and medium term. The price is calculated as the signal that maximises emission reductions in the power sector at the lowest possible cost in the EU-ETS, considering the cost-competitiveness analysis of thermal generation and renewable generation. This benchmark is considered a "barrier price" to displace coal-fired power generation in favour of gas-fired combined-cycle power stations on the wholesale electricity market, as wind and solar technologies do not need a CO₂ price to be competitive today and displace gas-fired combined-cycle power stations. This is therefore a price signal with which strategic decisions have been taken, such as the closure of Naturgy's coal-fired power stations. In addition, this price is being used as a valid reference in previous EU-ETS 2 analyses.

Naturgy recognises the role of carbon pricing mechanisms as the most effective way to implement the fulfilment of committed GHG emission reduction targets.

On the other hand, for the calculation of impairment losses on non-financial assets, see details in Note 4 of the 2023 Annual Financial Report, future CO₂ price projections have been used based on the best forward-looking information available to date, considering the thermal generation assumptions set out in the 2021-2030 PNIEC, endorsed by the recent draft pending approval by the EU.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
CO ₂ €/t	85.8	95.0	95.8	97.0	101.0	105.0	111.0	117.0	120.0	126.0

Naturgy's GHG emissions offsetting

Emission offsetting is a voluntary instrument in the fight against climate change that consists of investment in projects registered under international or national standards, which generate CO₂ absorption credits (reforestation projects, blue carbon, etc.) and emission reduction credits (CERs, VERs, etc.), either through direct promotion in projects or through the secondary market. Many of these projects are implemented in developing countries as a form of crowdfunding for climate action, as the purchase of these credits enhances the global emissions reduction target, while at the same time benefiting local communities. Projects can be, for example, renewable energy (wind farms, biomass, hydro), energy efficiency, waste management, fuel substitution or forest conservation.

Naturgy carries out various types of initiatives to offset emissions, including the Neutral Gas, which offset the CO₂ emissions linked to the consumption of natural gas supplied to customers, both at residential and SME level, where 20% of demand has received offset natural gas, and at large customer level, where companies in the health sector, telecommunications or university have opted for a supply of offset natural gas. Clearing is done in voluntary markets, considering the customer's needs in terms of technology, geography and social impact. This compensation is certified by an accredited third party. In 2023, 443,683 tCO₂e were offset, demonstrating the interest in this type of value-added products and services, and Naturgy's commitment to offering more sustainable products. The decrease compared to the previous year is in line with the decrease of natural gas commercialised in Spain.

In addition, through the COmpensa2 initiative, emissions from work centres, company trips and CO₂eq emissions corresponding to mileage for the provision of maintenance services marketed by the company in the residential sector (Servigas, Servielectric and Servihogar) are offset.

The following table shows the amount of offset emissions by initiative:

Emissions offsetting

	Emissions offset in 2023 (tCO ₂ eq)	Emissions offset in 2022 (tCO ₂ eq)
Neutral Gas	443,683	487,460
COmpensa2 Initiative	15,912	10,416
Scope 1 emissions from fuel use in workplaces (fixed sources and fleet).	5,994	8,221
Scope 2 emissions from electricity consumption in workplaces.	2,442	984
Scope 3 emissions from business trips (air and train).	7,476	1,212
Total	459,595	497,876

Description of the offsetting projects

Project	Description	Period	ton CO ₂
BR3958	Landfill Gas Project (Brazil).	CP2	4,000
MX0846	La Venta II (Mexico).	CP2	2,800
KE3773	Olkaria II Geothermal Expansion (Kenya).	CP2	320
EG490	Catalytic N ₂ O destruction project in the tail gas of the Nitric Acid Plant of Abu Qir Fertilizer Co.	CP2	2,472
EG490	Catalytic N ₂ O destruction project in the tail gas of the Nitric Acid Plant of Abu Qir Fertilizer Co.	CP2	2,567
CL822	Loma los colorados Landfill Project (Chile).	CP2	3,782

Continues >

Description of the offsetting projects

Project	Description	Period	ton CO ₂
MD159	Biomass Heating in Rural Communities (Moldova).	CP2	518
VN9036	Khe Bo Hydropower Project in Vietnam.	CP2	350,000
MX7346	Power and Energy Bii Hioxo Wind Farm.	CP2	78,055
IN4831	FaL-G Brick and Blocks (India).	CP1	330
MD160	Biomass Heating in Rural Communities (Moldova).	CP1	31
BD5125	Improving Kiln Efficiency in the Brick Making Industry in Bangladesh.	CP1	90
MD173	Moldova Energy Conservation and Greenhouse Gases Emissions Reduction.	CP1	23
PH5979	Methane recovery and combustion with renewable energy generation from anaerobic animal manure management systems under the Land Bank of the Philippines's (LBP) Carbon Finance Support Facility.	CP1	40
RW3404	Project 3404: Rwanda Electrogaz Compact Fluorescent Lamp (CFL) distribution project.	CP1	71
			454,099

NB: CP1: emitted 2008–2012. CP2: emitted 2013–2020.

The offsets in the table refer to the Gas Neutral 2023 plus the 2022 CCompensa2 initiative whose offsets took place in 2023.

Among the measures to be developed in the coming years is the CO₂ absorption project, Bosque Fundación Naturgy, which in 2023 was registered under the methodology of the Carbon Footprint and Emissions Offset Registry of the Ministry of Ecological Transition and Demographic Challenge. The project covers an area of approximately 7 ha in the municipality of Cadalso de los Vidrios (Madrid), where native species such as *Amelanchier ovalis* (Guillomo), *Celtis australis* (Almez), *Crataegus monogyna* (Majuelo), *Pinus pinaster* (Pino resinero), *Prunus spinosa* (Endrino), *Quercus ilex* (Encino) and *Sorbus aucuparia* (Serbal de los cazadores) have been planted in order to restore part of the soil and forest mass, degraded as a result of a fire in 2019.

In addition, in 2023 Naturgy verified and issued through the United Nations Registry, almost 2 Mt of CERs (certified emission reduction), generated from the MX7346 Fuerza y Energía de Bii Hioxo project, a wind farm with a capacity of 234 MW of gross electrical power, consisting of 117 three-bladed wind turbines, located in the municipality of Juchitán de Zaragoza, Oaxaca (Mexico), covering an area of 1,892 hectares where, generally, agricultural and livestock activities are practised. On average, the wind farm prevents the emission of more than 420,000 tCO₂/year.

Products to facilitate customer decarbonisation

The energy transition is an opportunity to offer new products and services to customers who are increasingly committed to low carbon strategies. These include: carbon footprint calculation, offsetting of emissions through voluntary markets, emission reduction plans for customers, self-consumption solutions, management of Guarantees of Origin (GoO) for electricity and the energy saving certificates market.

In 2023, Naturgy launched Naturzero, a new brand designed to accompany its customers in their decarbonisation objectives, through actions to mitigate and adapt to climate change, helping to position companies in a market that is increasingly aware of and values the most sustainable organisations and products. Naturzero will provide a comprehensive service to its customers, thanks to three associated products:

1. Naturzero Calcula, where the Group provides companies with the calculation of their carbon footprint in scopes 1, 2 and 3, verified by an accredited entity.
2. Naturzero Reduce, which will offer each customer an ad-hoc emissions reduction plan, which will be based on multiple energy solutions within the catalogue of services offered by the Group, including photovoltaic self-consumption with batteries or renewable gases such as biomethane. Many of these measures, aimed at reducing emissions, involve more efficient energy consumption in lighting, air conditioning, heating and transport, leading to financial savings that benefit the consumer.
3. Naturzero Compensa, which offsets or neutralises emissions not avoided in the reduction plans.

naturzero
calcula



01
Access to the web tool with your detailed footprint calculation and Reduction Plan

naturzero
reduce



02
Portfolio of products at your disposal to reduce your footprint from day one

naturzero
compensa



03
Offsetting of emissions not avoided in the process

CO₂ emissions trading systems

Most of Naturgy's thermal electricity generation facilities in Spain are regulated by the European Emissions Trading Directive, which establishes the rules for the acquisition of emission rights equivalent to verified emissions from its combined-cycle and co-generation facilities, among others. This means that the Directive regulates the trading of this energy, which is why the company participates in the supply on the primary market through auctions, as well as on the secondary market. The emissions covered come from the combined-cycle gas-fired power stations and the Almazán co-generation power station, all of them located in Spain, and account for 100% of Naturgy's direct emissions (Scope 1) in 2023. The operation of these plants is included in the National Integrated Energy and Climate Plan (PNIEC) approved for the period 2021-2030 and endorsed in the draft 2023-2030 PNIEC submitted to Brussels in June 2023, aligned with the European goal of climate neutrality by 2050.

In Mexico, the Emissions Trading System (ETS) has been implemented, which includes emissions from combined-cycle power stations. The test phase went on from 2020 until 2022, and consisted of the free allocation of 100% of the facilities regulated by this cap & trade system, which emit more than 100,000 tCO₂/year. From 2023 until 2026, the allocation of free allowances, as set out in the draft ETS Rules, is expected to cover projected emissions according to production projections. Even according to current estimates, a surplus of allowances allocated for free will be generated in this period compared to the emissions produced.

Installations registered in the ETS must submit emission allowances equivalent to the tons of CO₂ they emit. Currently, Naturgy's combined-cycle power stations in Mexico are registered in the ETS and have received the corresponding emission allowances from the authority.

CO₂ emissions covered by regulation or trading systems

	2023		2022	
	Emissions (MtCO ₂ eq)	Percentage share of total Scope 1 emissions (%)	Emissions (MtCO ₂ eq)	Percentage share of total Scope 1 emissions (%)
Scope 1 emissions covered by emission reporting regulations.	12.5	100	14.7	100
Total Scope 1 CO ₂ emissions affected by the regulations governing the European Emissions Trading System (EU-ETS).	4.9	39	7.4	50
Total Scope 1 CO ₂ emissions affected by the regulations governing the Mexican Emissions Trading System (SCE-MX).	5.5	44	5.2	35

4. Circular economy and eco-efficiency

Naturgy is committed to promoting the circular economy by following the following principles of action, which are included in the Environmental Policy:

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

Energy and materials

Within the framework of the integrated management system, Naturgy implements management and control procedures aimed at minimising the consumption of energy and material resources. With regard to energy, Naturgy's commitment to renewables and the promotion of energy savings and efficiency, both in its own facilities and in homes, businesses and customer facilities, helps reduce environmental impacts.

Energy consumption data both inside and outside the organisation are given below ⁽¹⁾.

— Total energy consumption within the organisation (GWh)

	2023	2022
Non-renewable fuels	77,592	91,156
Natural gas	61,823	75,597
Coal	0	0
Petroleum derivatives	2,327	2,262
Uranium	13,442	13,298
Renewable fuels		
Electricity acquired for consumption	1,369	1,155
Renewable electricity generated (not included in the consumption of fuels)	12,409	9,353
Electricity and steam sold	-43,888	-47,029
Total	47,482	54,635

The 2022 uranium consumption data has been modified due to an improvement in the determination method, which increases the accuracy of the reported data.

⁽¹⁾ Energy consumption data have been extracted from direct measurements using conversion factors published by the Spanish Climate Change Office or other authoritative sources.

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

Energy intensity within the organisation

	2023			2022		
	Energy consumption within the organisation (GWh)	Net turnover (million euro)	Ratio (GWh/net turnover)	Energy consumption within the organisation (GWh)	Net turnover (million euro)	Ratio (GWh/net turnover)
Total	47,482	22,617	2.10	54,635	33,965	1.61

The energy consumption figure within the 2022 organisation has been modified due to an improvement in the method of determining uranium consumption (see table above).

Energy consumption outside the organisation (GWh)

	2023	2022
Final use of the natural gas commercialised	418,602	481,610
Electricity	15,920	14,004
Total	434,522	495,614

In 2023, there is a 13% decrease in the consumption of energy resources within the organisation due to a decline in electricity generation from gas combined-cycle power stations in Spain. This situation is due to the increased production of renewable generation, which has reduced the need for back-up from these facilities. Outside the organisation, there has also been a 12% decrease due to the reduction in the end demand for natural gas.

Materials used, by weight or volume (Mt)

Fuels	2023	2022
Natural gas	4.1	5.1
Petroleum derivatives	0.2	0.2
Uranium	0.00001	0.00001
Total fuels	4.35	5.24

Materials used, by weight or volume (kt)

Other materials (non-combustible)	2023	2022
Lubricant/hydraulic oil	0.9	0.8
Sulphuric acid	1.3	1.1
Nitrogen	0.3	0.9
Sodium hypochlorite	0.5	0.6
Calcium hydroxide	0.2	0.7
Sodium hydroxide	0.6	0.7
Rest of other materials (*)	2.1	1.9
Total other materials	6.0	6.7

(*) Includes paper and toner consumption, which in 2023 amounted to 45 t and 0.5 t respectively, much lower than in 2021 (57.7 t and 0.9 t respectively).

With regard to the materials used, it is noted that there has been a 17% decline in fuel consumption due to the decreased operation of combined-cycle power stations. In other non-fuel materials the reduction was 11% compared to the previous year. In both cases, this reflects an improvement in eco-efficiency.

Water

Sustainable water management

Water, an essential commodity for life, is one of the natural resources used in the company's processes. Water management merits special consideration, which Naturgy carries out through the analysis of the risks related to its use, based on the use of different methodologies and the consideration in the corporate risk map. In particular, it pays special attention to water consumption, water quality control in discharges, ecological management of reservoirs, and prioritises eco-efficiency and water reuse in processes, for example, by integrating waste water from other activities.

In 2023, Naturgy achieved an outstanding A- rating by CDP Water, reflecting our commitment to responsible water management.

The table Potential impacts on biodiversity in the Biodiversity and natural capital section of this report describes the main potential impacts that Naturgy's activities may have on the water resource

Naturgy applies the precautionary principle to avoid possible negative impacts on water management. In the design phase of facilities, environmental impact studies are conducted, in which project alternatives and the natural environment are considered, paying special attention to water and its availability, both for the ecosystems and for the affected population. Consequently, necessary measures are included in the project design to ensure that the environmental and social impacts associated with water use are minimised.

In the environmental impact assessment process, both the project and the environmental impact study are subject to public information in order to ensure the participation and input of stakeholders. The result is an environmental authorisation that specifies the specific conditions of the project and guarantees water management adjusted to the local context of natural resource availability and compliance with public policies.

Occasionally, where facilities are located in areas without local discharge requirements, internationally recognised standards, such as those established by the World Bank guidelines, are taken as a reference.

Once the facilities enter into construction or operation, the monitoring and analyses set out in the environmental studies take place, as well as the environmental authorisations to ensure the quality of the environment and the availability of the shared resource (guaranteed by the environmental management system). In addition, strict operational control and risk management procedures (environmental emergency plans, drills, etc.) are implemented to prevent incidents before they occur or minimise damage.

In fact, 186 studies were conducted in 2023, especially in the field of electric power generation facilities (thermal, hydropower) to monitor the water impacts of the environment. In the case of thermal and hydropower plants, sampling campaigns have been carried out to determine the physical, chemical and biological characteristics of the aquatic environment (rivers, reservoirs, etc.). Recent studies confirmed the normal situation observed in recent years, and concluded that the facilities studied had an acceptable impact. With regard to the incidents that have occurred, two one-off excesses were recorded in 2023. In the first case the pH value of the discharge and in the other case the chloride concentration and conductivity. After analysis of the causes of the incidents, it was verified that in both cases they were related to the malfunctioning of certain equipment, which was replaced or recalibrated. In neither case have there been any associated consequences.

Number of incidents of non-compliance related to water quantity or quality permits, standards and regulations

	2023	2022
Number of incidents	2	0

Beyond its own facilities, Naturgy pays attention to water risks in its supply chain. These are considered to be the result of the combination of activity risk (water risk inherent to the supplier's activity) and country risk (water risk inherent to the country or location of a given facility). Thus, this combination allows it to assign each category of purchases a level of risk: high, medium or low, considering high-risks critical, as detailed in section "Supply chain" of this report. In addition, Naturgy has a life cycle analysis methodology to analyse the impact associated with the products and services that have the greatest impact on water in its value chain.

Water collection, consumption and discharge (hm³)

	2023	2022
Total volume of water captured from the environment	776.7	920.6
Total water consumption	17.0	18.8
Total volume discharged	759.8	902.0

Most of the total water collected by the company is returned to the environment, with consumption representing a very small percentage of the total, just 2.2%. The most relevant installations in relation to water management are combined-cycle power stations, which are responsible for more than 98.1% of the company's total water consumption. It is important to highlight that all of them implement water management plans, endorsed by the ISO 14001 environmental certification, with which the fulfilment of improvement objectives is assessed each year and the monitoring of collection, consumption, discharge, accident prevention, etc. is maintained.

Globally, in absolute terms in 2023 there has been a 10% decrease in water consumption and a 16% decrease in water abstraction and discharge. This has been due to the fact that in Spain it has been a meteorologically favourable year for renewable generation, so the combined-cycle power stations, which act as backup for hydropower and wind generation, have operated less, producing a 20% less electricity than in 2022, which was especially dry.

To further interpret these results, and given that electricity generation is the activity that uses the most water, the specific ratios of collection, consumption and discharge have been calculated. This indicator reflects the amount of water needed to generate one unit of electricity.

Specific ratios: water collection, consumption and discharge intensity for electricity generation specific ratios (hm³/TWh)

	2023	2022
Water captured from the environment	17.7	19.6
Water consumption	0.39	0.40
Discharge	17.3	19.2

As can be seen, in relation to the electrical energy generated, all the ratios show a considerable improvement compared to the previous year, as there has been a gain in eco-efficiency, using less water to generate one unit of electrical energy. This is because the share of renewable electricity generated, which does not involve a significant water consumption, has increased by 33% in 2023 compared to 2022.

The existence and magnitude of the associated impacts depends not only on the amount of resource consumed but also on the source of water used. In this case, the main source of water used is seawater, which in 2023 accounts for 96.6% of the total. Wastewater from other industries or from urban sources accounts for 3.2% of the total, and is treated to be reused in the company's processes, thus avoiding the consumption of fresh water, especially in areas of scarcity.

Water collection by source (hm³)

	2023	2022
Surface water captured (sea ⁽¹⁾)	750.3	896.1
Surface water captured (rest ⁽²⁾)	0.7	2.1
Groundwater captured ⁽²⁾	0.5	0.4
Wastewater used from another organisation ⁽¹⁾	24.7	21.7
Water captured from the supply network ⁽²⁾	0.4	0.3
Total volume of water captured from the environment	776.7	920.6

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

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

The increase in groundwater abstraction is due to the increased activity of co-generation plants in Spain, as it is these plants that use this source of supply.

The increase in water withdrawn from the supply network occurs mainly in the combined-cycle power stations in Spain and is due to the change in their operating regime. Combined-cycle power stations function as a back-up to the national electricity generation system, and therefore come into operation when there is insufficient renewable generation. The increase in renewable production in recent years, in particular in 2022 due to good weather conditions, has led to a decrease in the operation of combined-cycle power stations. However, although they generate less electricity, the number of annual start-ups has increased significantly, as they are increasingly required to provide complementary services to the electricity system (voltage control, etc.), with operations close to the technical minimum. This substantial change in their mode of operation leads to increases in the use of water from the supply network in the start-up processes due to the purging of the water-steam cycle.

Water collection by salinity (hm³)

	2023	2022
Volume of water with TSD > 1,000 mg/l	775.0	917.8
Volume of water with TSD ≤ 1,000 mg/l	1.6	2.8
Total volume of water captured from the environment	776.6	920.6

Water consumption (hm³)

	2023	2022
Consumption of cooling water	12.9	16.3
Consumption of water in water/steam cycle	0.4	0.4
Consumption of water in other processes	3.4	1.8
Consumption of water in ancillary services and buildings	0.3	0.3
Total	17.0	18.8

The increase in water consumption in other processes occurs mainly in a combined-cycle power station in Spain, located on the coast, which uses seawater. The new operating regime of the combined-cycle power station explained above (increase in the number of daily start-ups and shutdowns) leads to a higher consumption of sodium hypochlorite, as it is used for shock treatments during start-ups. This reagent is produced in the facility's own electrochlorination plant and uses water.

As indicated, most of the water consumption occurs in thermal power stations, specifically in the cooling towers of combined-cycle power stations, where it evaporates to enable cooling and is released into the atmosphere in the form of steam, reintegrating into the natural water cycle.

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

The treatment equipment and systems worked as planned in 2023, complying with environmental permits. In addition, studies of the receiving environment reveal that no significant impacts were generated in the aquatic ecosystems where the effluent discharges were made. Most discharges are into the sea (99.76% of the total), followed by waterways (0.13%)

Water discharge (hm³)

	2023	2022
Water discharged into the sea	758.0	900.4
Water discharged into waterways	1.0	1.3
Water discharged into the public sewerage system	0.5	0.3
Water discharged into septic tanks	0.0	0.0
Water discharged for use by an aquifer	0.0	0.0
Water discharged for reuse by third parties	0.3	
Total volume discharged	759.8	902.0

NB: All discharges had a TDS concentration > 1,000 mg/l.

In 2023, the category "Water discharged for reuse by third parties" was reported for the first time in order to reflect the flows that are used as input water by other organisations.

With regard to the pollutants released into the aquatic environment by discharges, the following table shows the weight of substances discharged into the water.

Weight of discharged substances (kg)

Pollutant	Quantity discharged to water (kg)	
	2023	2022
Nitrogen and its compounds	14,922	21,853
Suspended solids	14,760	15,812
Sulphates	86,406	10,138
Nitrates	3,015	4,668
Phosphorus and its compounds	1,582	2,368
Oils and fats	2,208	1,427
Ammonium	1,336	1,070
Rest	613	177
Total	124,842	57,512

The significant increase in the sulphate value compared to the previous year is due to an accidental leak in a combined-cycle power station in Spain, due to the breakage of a pipe that transported seawater from the cooling circuit and ended up reaching the Effluent Treatment Plant by filtration through the drainage network. It has been estimated that the amount of sulphates discharged as a result of this accidental release was 80,283.25 kg.

The increase in the total amount of oils and fats discharged into the environment is related to the greater discharge of water in some of the combined-cycle power stations in Spain, although the concentration level of these pollutants in the discharges remains stable.

Impact reduction in high water stress areas

The impact of water use depends on three factors: the quantity of water used, the type of water used (seawater, freshwater, etc.) and the level of water stress in the area. The term water stress refers to the relative scarcity of water in a region, a crucial factor in water management due to its impact on the availability and sustainable use of this vital resource.

To assess the effects on water-stressed areas, a materiality analysis was conducted. The findings indicate that combined-cycle power stations account for 98.1% of total water consumption, with other facilities showing negligible values. The following analysis focuses on this type of facility. To analyse the impact, combined-cycle power stations have been classified according to the level of water stress of their location, using Aqueduct’s global water risk mapping tool.

Water use in combined-cycle power stations according to water stress levels

	Total	In areas of high water stress	Fresh water collection in areas of high water stress
No. of facilities	15	10	3
Water collection (hm ³)	776.7	195.4	0.9

NB: Plants are considered to be in water stress zones when water stress levels exceed 40%.

As can be seen, of the 15 combined-cycle power stations, 10 are located in areas of high water stress, of which only 3 have significant freshwater consumption (13% of all combined-cycle power stations). Most of the combined-cycle power stations were designed with a view to reducing the impact on areas with low water resources and operate with seawater or wastewater from other activities, and therefore do not consume fresh water. Thus, only 0.11 % of the water captured by combined-cycle power stations in water-stressed areas is fresh water.

The following table summarises the water abstraction, consumption and discharge associated with these plants in water-stressed areas.

Water management in areas of high water stress (hm³)

	2023	2022
Total volume of water abstracted from the environment in water-stressed areas	195.4	247.1
Total water consumption in high water stress areas	11.8	13.7
Total volume discharged in water-stressed areas	183.6	233.5

As can be seen, in 2023, a significant environmental improvement was achieved through a 21% reduction in water abstraction and discharge, as well as a 14% decrease in consumption. This can be attributed to the reduced operation of combined-cycle power stations, leading to less strain on water resources and fostering a more sustainable approach to water usage. These data are analysed in more detail below.

Water collection in high water stress areas

	Volume (hm ³)		Percentage of total water captured (%)	
	2023	2022	2023	2022
Total water captured in high water stress areas	195.4	247.1	25.2	26.8
Seawater ⁽¹⁾	171.3	223.5	22.1	24.3
Fresh surface water ⁽²⁾	0.7	2.1	0.1	0.2
Fresh groundwater ⁽²⁾	0.0	0.1	0.0	0.0
Water from another organisation (reuse) ⁽¹⁾	23.2	21.3	3.0	2.3
Water captured from the supply network ⁽²⁾	0.1	0.1	0.0	0.0
Water collection⁽²⁾ in high water stress areas	0.9	2.3	0.1	0.2

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

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

Naturgy, aware of the situation of water stress or scarcity in the surroundings of some of its combined-cycle power stations, implements systems for the use of seawater or the reuse of waste water from cities or other industries in these facilities, which avoids fresh water being consumed and removes the pressure on this scarce resource.

Water collection in high water stress areas by salinity (hm³)

	Volume (hm ³)		Percentage of total water captured (%)	
	2023	2022	2023	2022
Volume of water with TSD > 1,000 mg/l	194.5	244.8	25.0	26.6
Volume of water with TSD ≤ 1,000 mg/l	0.9	2.3	0.1	0.2
Total volume of water captured from the environment	195.4	247.1	25.2	26.8

Compared to 2022, there is a 21% decrease in water abstraction in areas of high water stress considering all sources (sea, reused, surface, etc.). The reduction is more relevant in freshwater abstraction, a 61% decrease, which means an improvement in the negative impacts linked to the use of this scarce resource.

The following tables show consumption and discharge in these areas.

Water consumption in areas of high water stress (hm³)

			Percentage of total water consumption (%)	
	2023	2022	2023	2022
Consumption of cooling water	11.4	13.3	67.0	70.7
Consumption of water in water/steam cycle	0.2	0.3	1.4	1.6
Consumption of water in other processes	0.1	0.0	0.6	0.0
Consumption of water in ancillary services and buildings	0.0	0.1	0.2	0.5
Total	11.8	13.7	69.2	72.9

Water discharge in areas of high water stress (hm³)

	2023	2022
Water discharged into the sea	182.7	232.5
Water discharged into waterways	0.8	0.9
Water discharged into the public sewerage system	0.1	0.0
Water discharged into septic tanks	0.0	0.0
Water discharged for use by an aquifer	0.0	0.0
Water discharged for reuse by third parties	0.0	
Total volume discharged	183.6	233.5

NB: All discharges had a TDS concentration > 1,000 mg/l.

In 2023, the category "Water discharged for reuse by third parties" was reported for the first time in order to reflect the flows that are used as input water by other organisations.

Atmospheric emissions

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

	Total (kt)		Specific (g/kWh)	
	2023	2022	2023	2022
SO ₂	0.7	0.8	0.01	0.01
NO _x	8.2	8.1	0.18	0.17
Particles	0.1	0.1	0.003	0.003
Mercury	0.00001	0.00001	0.0000002	0.0000003
Lead*	n.a.	n.a.	n.a.	n.a.

Notas:

- Lead does not apply since natural gas, which is mostly used as fuel, lacks this element and, since it is not formed in the combustion process, it is not emitted in the combustion gases.
- After analysis of populated areas, 100% of the pollutants meet the criterion “densely populated area” (area with a densely populated core and an adjoining territory that together have a population of at least 50,000 people).

The above data correspond to direct measurements made at the facilities. In absolute terms, there has been an 18% decrease in SO₂ emissions, mainly due to the use of a fuel with a lower sulphur content in the transport of LNG using LNG tankers. Absolute NO_x emissions have increased slightly by 0.5%.

Emissions of ozone-depleting substances (ODS) (t)

	2023	2022
HCFC	0.42	0.01
Freon R22	0.80	0.20

The above data correspond to direct measurements of filling operations performed on equipment using these substances. There is evidence of a worsening compared to the previous year due mainly to the increase in the maintenance actions of the air conditioning equipment in a combined-cycle power station in Mexico.

With regard to light and noise pollution, following the materiality analysis carried out, these issues have not been of relevance which is why no information is included in this regard. However, noise-producing facilities are equipped with silencers, insulation and other acoustic measures to ensure compliance with legal limits and reduce disturbance to the surrounding population and fauna, as well as monitoring and measurement programmes to ensure compliance with these requirements.

Waste

Naturgy has waste management procedures for its adequate minimisation, segregation, storage, recycling, control and final disposal. These procedures allow the company to report data on waste generated directly in its operations, including all businesses and countries where it operates.

In relation to the waste produced by collaborating companies, they are required to manage it appropriately through the environmental specifications included in the contracting process; also, they must monitor the whole process throughout the duration of their services.

This management, backed by ISO 14001 certification, minimises the impacts generated by waste, with the most significant residual impact being the possibility of environmental contamination as a result of accidental spills or dumping.

The following table includes data with the main spillages that occurred in 2023. In all cases, the environmental incident procedure was activated and the spill was collected and the area cleaned. There have been no significant impacts on the environment, as most spillages were contained in Naturgy's facilities and there has been no deterioration of water courses or damage to biodiversity. While there has been a 21% increase in the volume of accidental spillage compared to the previous year, the area of natural soil affected has decreased by 88% and the number of events has been reduced by 5%. With regard to the spillage of oily water with traces of PCBs that occurred in Panama, it should be pointed out that the volume of spillage (0.03 m³) was contained in the safety basin without affecting the natural soil.

Naturgy has **waste management procedures** for its adequate minimisation, segregation, storage, recycling, control and final disposal.

Spill table

2023					
Activity	No. of events	Nature of spill (no. of events)	Spill volume (m ³)	Surface area of natural soil affected (m ²)	Country (no. of events)
Renewable electricity generation	12	Oil (11) Antifreeze (1)	1.1	17	Spain (9) Mexico (2) Costa Rica (1)
Conventional electricity generation	4	Oil (1) Ammonia (1) Sulphuric acid (1) Fuel (1)	1.0	2	Spain (2) Mexico (2)
Gas and electricity distribution	3	Fuel (2) Oily waters with traces of PCBs (1)	0.1	6	Panama (3)
Total	19	-	2.1	25	-

2022					
Activity	No. of events	Nature of spill (no. of events)	Spill volume (m ³)	Surface area of natural soil affected (m ²)	Country (no. of events)
Renewable electricity generation	9	Oil (8) Oil and fuel (1)	0.4	115	Spain (9)
Gas and electricity distribution	11	Oil (10) Fuel (1)	1.4	91	Argentina (1) Spain (6) Panama (4)
Total	20	-	1.8	206	-

In accordance with the waste hierarchy, the company prioritises management aimed at prevention, reuse and recycling over other less sustainable alternatives such as incineration without energy recovery or landfill. This strategy is clearly defined in the Sustainability Plan, which includes two waste-related objectives for 2025: reducing waste by 87% from 2017 and achieving 93% of waste recovered or recycled.

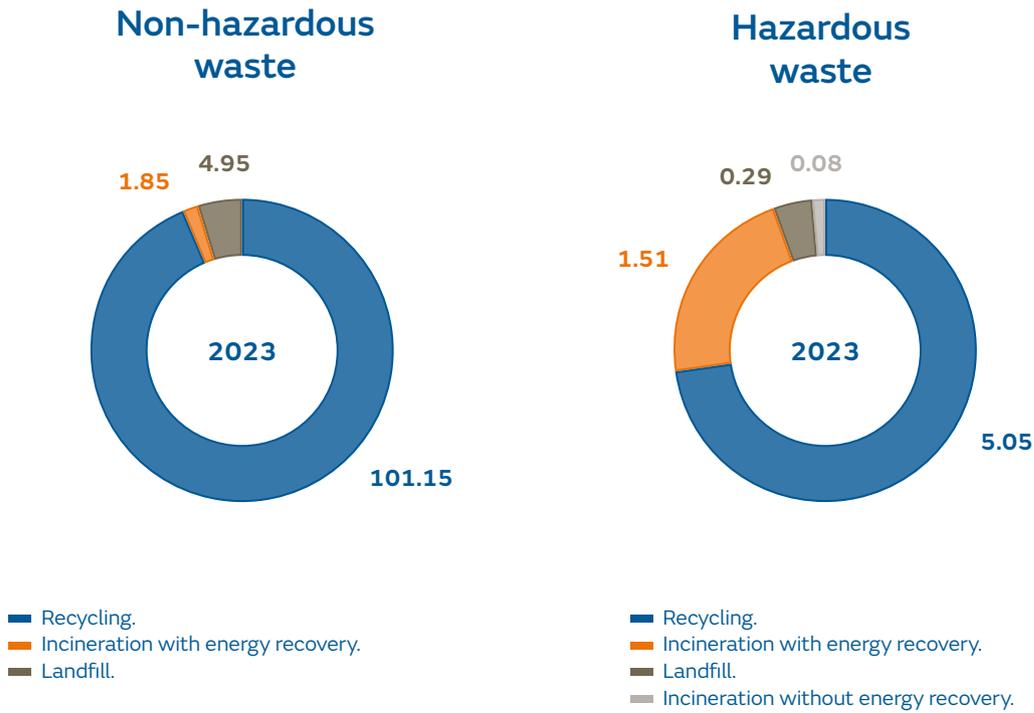
Waste managed (kt)

	2023	2022
Total waste (kt)	114.89	93.86
Non-hazardous waste (kt)	107.95	88.94
Hazardous waste (kt)	6.93	4.92
Recovery and recycling rate (%)	95.4	92.1

Waste by final disposal

	2023		2022	
	kt	%	kt	%
Waste not for disposal	109.56	95.4	86.47	92.1
Waste for recycling	106.20	92.4	82.70	88.1
Waste for incineration with energy recovery	3.36	2.9	7.37	7.9
Waste for disposal	5.32	4.6	7.37	7.9
Waste for landfill	5.24	4.6	0.38	0.4
Waste for incineration without recovery	0.08	0.1	6.99	7.4

Waste by typology and final disposal in 2022 (kt)



Non-hazardous waste managed (kt)

	2023	2022
Soil and rubble	96.64	78.00
Sludge	4.53	5.66
Vegetable waste	1.70	1.80
Scrap	1.24	1.54
Assimilable to urban waste	0.80	0.63
Rest	3.05	1.31
Total	107.95	88.94

— Hazardous waste managed (kt)

	2023	2022
Hydrocarbons plus water	1.67	1.30
Sludge from oil and fuels	1.08	0.67
Solid waste contaminated with hydrocarbons	1.96	1.19
Used oil	0.38	0.44
Hydrocarbon-contaminated soils	0.16	0.32
Electronic waste	0.08	0.06
Rest	1.61	0.94
Total	6.93	6.93

— Products sold for reuse (kt)

	2023	2022
Ashes	74.6	52.6
Sludge from oil and fuels	1.1	0.7
Total	75.6	53.3

In 2023, there has been a 22% increase in total waste generated. By type, there has been a 41% increase in hazardous waste and a 21% increase in non-hazardous waste. This increase has occurred in Spain due to an increase in investment and activity for the improvement of the electricity distribution network and an improvement in the reporting of information from the gas distribution business. The percentage of waste recycled or recovered improved to 95%, an increase of 4% compared to the previous year.

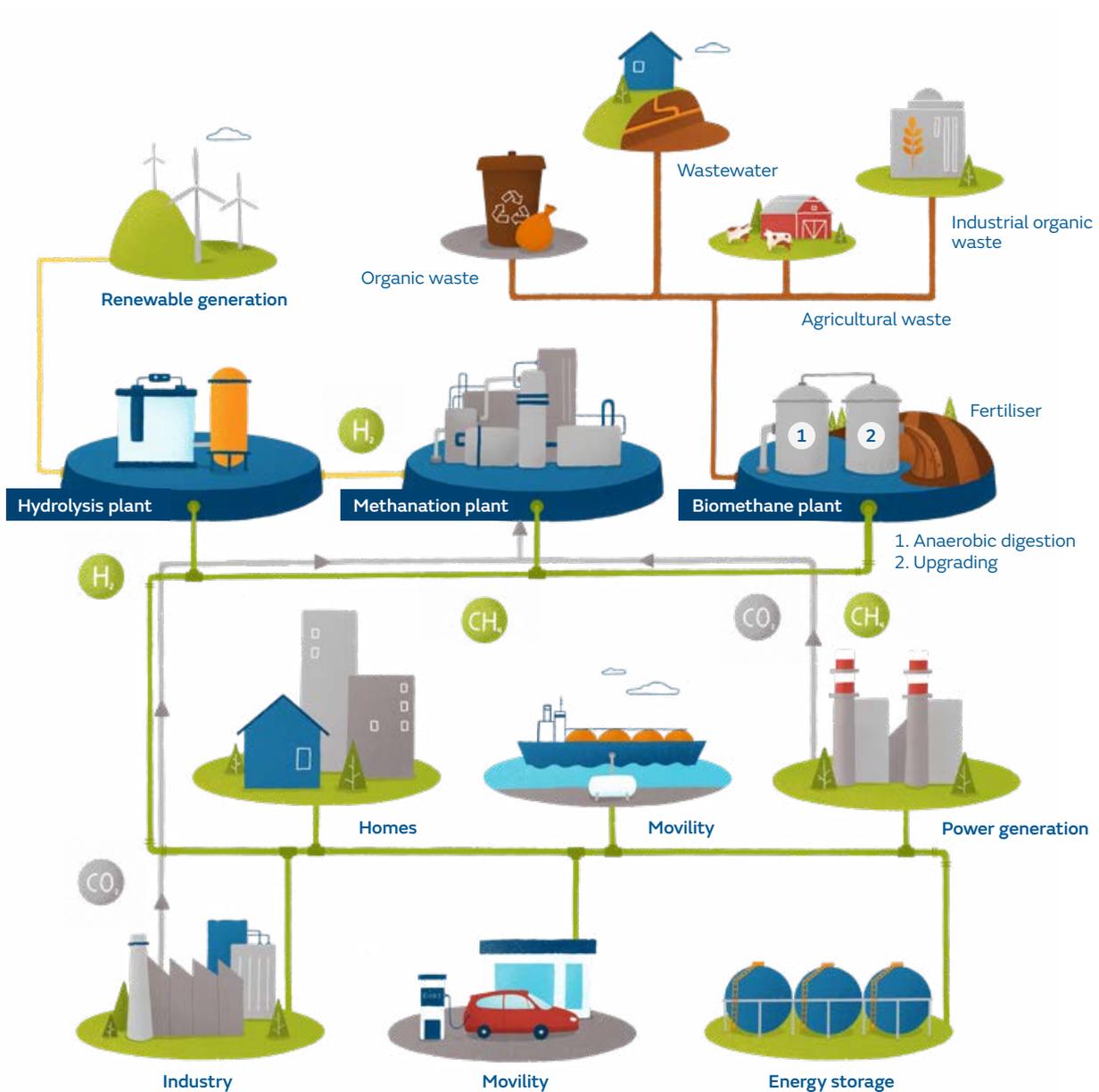
There has also been a significant increase in the amount of products sold for reuse, especially ash from decommissioned coal-fired power stations.

In 2023, Naturgy continued with the removal of polychlorinated biphenyls (PCB). Currently, 9 tonnes of dielectric oils with PCBs still have to be removed.

With regard to food waste, after the materiality analysis carried out, this aspect has not been among the relevant issues, which is why no information is included in this regard.

Renewable gas

Renewable gases are gaseous fuels that come from or are produced from renewable sources. Within the energy sector, biomethane, renewable hydrogen or synthetic gas obtained from renewable energy surpluses should be highlighted. One of Naturgy’s strategic lines of action in circular economy is to promote this type of fuels, so that they gradually replace fossil gas, promoting a circular and decarbonised model, as they are neutral in greenhouse gas emissions. For several years, Naturgy has been actively involved in the development of renewable gas projects, which serves as a strategic focus for the company in reducing GHG emissions. Further information regarding this can be found in the Innovation and new business development section of this report.



This is a clear example of a circular economy, as it is produced from organic waste as problematic as livestock manure, slurry, manure, sewage sludge or household waste, thus avoiding undesirable effects on people and biodiversity through water pollution, bad smells, etc.

Biomethane is a solution to simultaneously achieve decarbonisation goals and reduce energy dependence on external sources. This is very relevant at the European level, as the REPowerEU plan sets ambitious targets for fossil gas reduction and the promotion of biomethane. This is a particularly interesting alternative in sectors where electrification is difficult due to the nature of the activities. The production of biomethane makes it possible to make use of a multitude of waste types, solving their management problems. Moreover, being closely linked to the rural world, it is a perfect ally for the achievement of the economic recovery agenda and the fight against the demographic challenge and the depopulation of rural areas.

Spain is the third European country with the greatest potential for biomethane production, which could cover more than 40% of the current demand for natural gas. Moreover, biomethane is a carbon-neutral fuel gas and can even have negative CO₂eq emissions. It is thus key for the decarbonisation of the economy. It can even have negative emissions, as is the case with biomethane from livestock manure, the current management of which has GHG emissions. The transformation of this waste into renewable gas can avoid the atmospheric emission of 200%⁽²⁾ of the CO₂eq emissions corresponding to the fossil fuel replaced. Considering a carbon footprint abatement ratio of 0.31 Mt CO₂eq/TWh⁽³⁾, exploiting the biomethane production potential of 163 TWh/year would achieve abatement of over 50 Mt CO₂eq/year, which is equivalent to 23% of the national 2030 target of the Integrated National Energy and Climate Plan currently in force.

From an economic point of view, this indigenous energy source also has a clear positive impact in terms of job creation and economic activity, especially in rural areas, which favours the fixation of territory in line with the objectives of the Spanish demographic challenge.

Spain is the third European country with the greatest potential for biomethane production, which could cover more than 40% of the current demand for natural gas.

⁽²⁾ Source: Renewable gases. An emerging energy vector (Alvaro Feliu Jofre and Xavier Flotats Ripoll). Naturgy Foundation.

⁽³⁾ Data calculated by the European Biogas Association and matching with figures used in the study "Biogas and biomethane as a key lever in the decarbonisation of the Spanish economy" (PwC, CIEMAT and Naturgy Foundation).

5. Biodiversity and natural capital

Commitment to biodiversity

Biodiversity is fundamental to human well-being and sustainable development, as nature provides essential services such as food production, climate regulation and water purification. It is therefore necessary to take action to conserve and restore biodiversity by effectively integrating it into the policies, plans and practices of all economic and social sectors. Businesses play a crucial role in this context, as they depend on nature for raw material supply, income generation, risk reduction and innovation. Furthermore, the management of biodiversity and the impacts of their activities on natural systems is a key factor in their own resilience.

Naturgy integrates biodiversity in a global manner with the axes of the energy transition towards decarbonisation, climate, nature and people. As they are complementary and mutually influential realities, this approach takes a holistic view and focuses on building natural capital and restoring ecosystems to maximise CO₂ capture and neutralise emissions, ensuring the protection of native fauna and flora and maximising benefits for local communities. Natural capital is managed with a clear preventive approach, considering the protection of nature in the design of new facilities, implementing operational controls throughout their useful life, including decommissioning where they occur.

At the end of December 2022, the Kunming-Montreal Accord, which establishes the Global Biodiversity Framework and global targets to 2030, was adopted at the United Nations Conference on Biodiversity. It is a major milestone in global nature conservation, equivalent to the Paris Agreement reached in 2015 to combat climate change. This Framework aims to halt and reverse biodiversity loss, ensuring that ecosystems are more resilient, sustainable and contribute to human well-being.

In May 2023, the company signed the new Pact for Biodiversity and Natural Capital, within the framework of the Spanish Business and Biodiversity Initiative (IEEB), promoted by the Biodiversity Foundation of the Spanish Ministry for Ecological Transition and the Demographic Challenge. The company has taken on the highest level of ambition, supporting the objectives of the Kunming-Montreal Global Biodiversity Framework. Specifically, by undertaking to assess (identify and disseminate the most relevant impacts and dependencies on biodiversity and natural capital arising from the company's activity), act (develop and implement a roadmap to reduce risks and take advantage of opportunities) and disseminate the efforts made and achievements made in terms of biodiversity conservation.

Moreover, after two years of development, the Task Force on Nature-related Financial Disclosures (TNFD) published in September 2023 its final Recommendations for the management and disclosure of nature-related risks. It is a set of guidelines to help market players get started with integrated assessment and corporate reporting related to nature.

The governance model, strategy, risk and opportunity management and the company's objectives and metrics in relation to nature are presented below, following the recommendations of the TNFD and taking into account the information available at the end of 2023. In this regard, the company has initiated a project to assess natural capital and biodiversity in all its activities, as established in the methodology proposed by the new Framework.

Governance

Governance is a key aspect of addressing risks and opportunities related to biodiversity and natural capital, as highlighted in the recommendations published by TNFD.

Environmental policy and management framework

Naturgy is committed to the preservation of biodiversity, natural capital and cultural heritage in the environment of its facilities, with special attention to protected areas and species, with the following actions (included in the Environmental Policy) as its operating principles:

- › Respect natural capital, biodiversity and cultural heritage in the areas where the Group operates, identifying, assessing and monitoring impacts and dependencies on biodiversity during the life cycle of the facilities.
- › Integrate biodiversity in the design and operation of projects to progressively reduce negative environmental impacts, avoiding as far as reasonably possible carrying out activities near areas of high value for biodiversity and specially protected areas, implementing a preventive approach based on the hierarchy of impact mitigation (avoid, mitigate, restore and compensate) and promoting the development of nature-based solutions..
- › Prevent vegetation disturbance as far as possible, avoid deforestation in operating environments and encourage mitigation of significant impacts on forests along the value chain.
- › Achieve no net loss of biodiversity, promoting the net creation of natural capital whenever possible.

Governing bodies

The Board of Directors, through the Sustainability Committee, is responsible for Naturgy's environmental governance. It proposes environmental objectives and guidelines, monitors that environmental practices are in line with the strategy and policy, and also monitors the evolution of the company's environmental performance by tracking key indicators and targets. This is done using the high-level scorecard of indicators, which integrates specific biodiversity targets, reflected in the 2021-2025 Sustainability Plan. Details of the functions and powers of the Sustainability Committee can be found in section C.2.1 of the Annual Corporate Governance Report 2023.

In addition, the Audit and Control Committee supervises the control and management systems for financial and non-financial risks, including operational, technological, legal, social, environmental, political, reputational and corruption-related risks.

At an executive level, the Management Committee ensures the application and monitoring of business and sustainability policies, strategies, plans and objectives, and proposes measures in the areas of energy transition, climate change and sustainable development.

Lastly, the Sustainability Committee monitors all indicators and defines and promotes the projects and corrective actions necessary to ensure compliance with the objectives of the Sustainability Plan, including biodiversity targets.

As far as the corporate and business units are concerned, the Environment and Social Responsibility unit, within the Sustainability Executive Department, establishes environmental policies, indicators and targets. In coordination with the businesses, it monitors developments, consolidates information and centralises reporting on sustainability matters to the management committees and the Board of Directors. It also continuously assesses the main ESG risk factors. The Business and Corporate Units apply general principles and strategies and develop plans, projects and activities to meet environmental and biodiversity objectives, as well as the other goals set out in the Sustainability Plan.

The monitoring of the evolution of the Sustainability Plan indicators carried out by the governing bodies includes:

- › Direct impact indicators: GHG emissions scopes 1, 2 and 3, CO₂ intensity, water consumption, waste production, recycling or waste recovery
- › Biodiversity-specific indicators: no. of biodiversity enhancement initiatives.
- › Indicators for monitoring risk and opportunity management actions: eligible Capex according to European taxonomy, renewable installed capacity, renewable gas production or injection capacity, environmentally certified activity.

Given that the risks arising from climate change are one of the most relevant from the point of view of the impact generated for nature, the main decision adopted by the Sustainability Committee in recent years has been to formally commit the company to the Net Zero 2050 target and the climate targets included in the 2021-2025 Sustainability Plan.

In the case of nature-related risks, they are currently incorporated in the Corporate Risk Map as environmental and biodiversity risks, as detailed in the Risk Management section of this report. In addition, it has been decided to make further progress in the quantification of risks to biodiversity and nature until full implementation of the TNFD standard.

Strategy

Naturgy's biodiversity strategy is integrated into the business strategy based on the three axes Climate, Nature and People. In this regard, the most relevant measures included in the Strategic Plan 2021-2025 are:

- › Reduce greenhouse gas emissions by transforming the generation mix and the gas and electricity business towards an increasingly decarbonised model until climate neutrality is achieved by 2050.
- › Protect biodiversity in the facilities' sites, restore ecosystems and create natural capital to maximise CO₂ capture and neutralise emissions, ensuring the protection of native fauna and flora and maximising benefits for local communities.
- › A just transition, maximising the benefits of the transition to a low-carbon economy and minimising the negative impacts on business, workers and communities

Biodiversity is therefore integrated into strategic management as presented below:

Commitment and leadership

Objective: to move towards no net loss of biodiversity by implementing best practices and promoting the creation of natural capital.

Risks and opportunities

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

Preventive approach

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

Action in nature

GHG reduction, circular economy and biodiversity initiatives.

Transparency and dialogue

constructive engagement with stakeholders on nature issues.

Monitoring and tracking

using specialised tools, of the scorecard with objectives and key indicators.

Risk and opportunity management

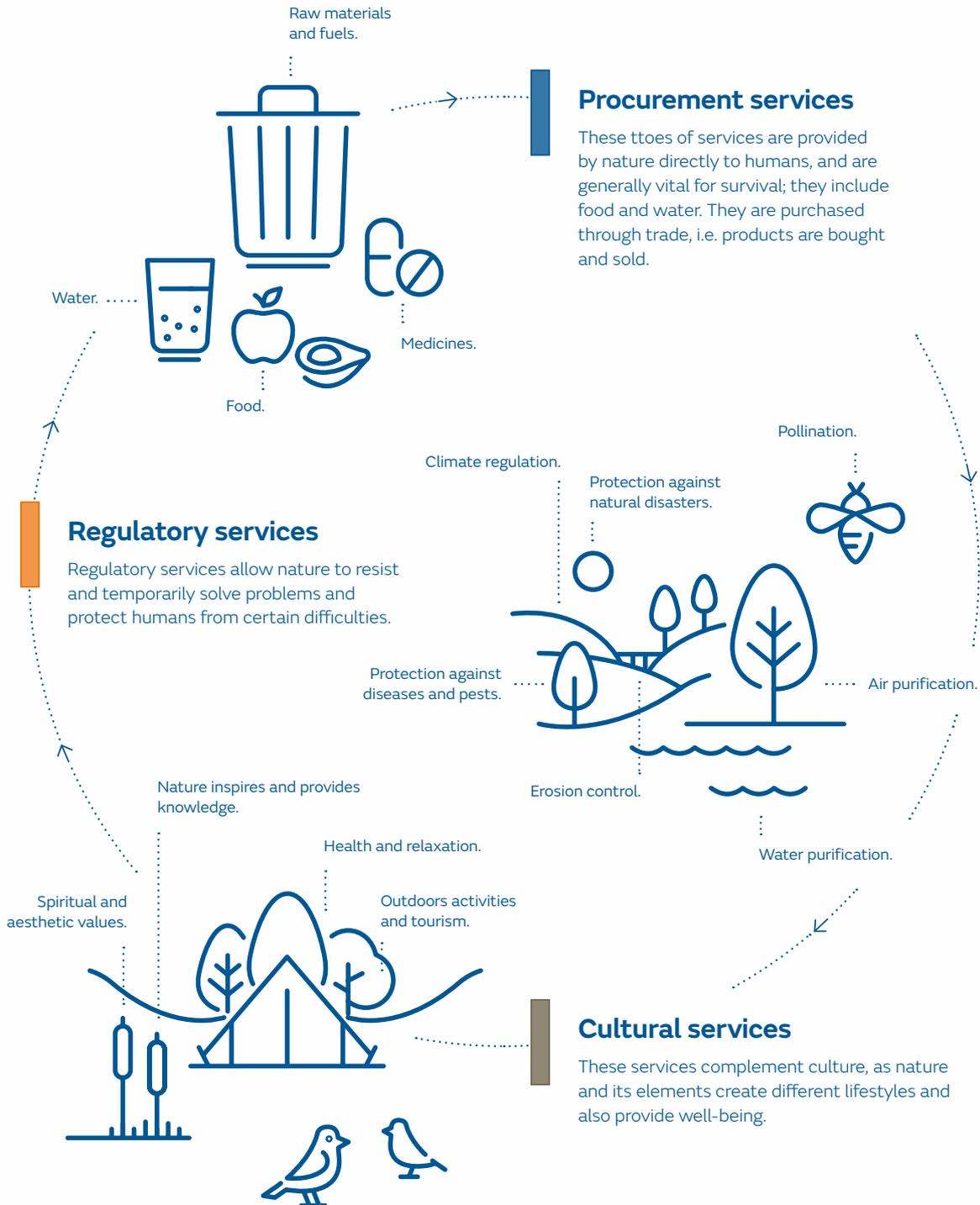
One of the key aspects of Naturgy's risk management is to ensure the resilience and sustainability of the business, which is why environmental and nature-related risks are built into the global model.

The identification, monitoring and assessment of Naturgy's biodiversity risks is governed by the Corporate Risk Map, which is updated and submitted by the corporate Management Control unit to the Audit and Control Committee.

The process focuses on characterising and quantifying the most relevant biodiversity risks, reflecting the company's risk profile. The identification and characterisation of the risks take into account the characteristics of the exposure level, the impact variables, the potential quantitative and qualitative severity, the probability of occurrence and the degree of management and control.

Assessment of dependencies and impacts on nature

To carry out its activities, Naturgy needs a series of services provided by nature, also known as ecosystem services, which can be classified into different typologies as shown in the following figure.



Naturgy’s management of biodiversity risks and opportunities is based on the assessment of dependencies and impacts on nature. For this purpose, the ENCORE (Exploration of Opportunities, Risks and Exposure of Natural Capital) tool was used as a basis and an assessment of the dependencies and direct impacts of each of the company’s activities was carried out by an internal panel of experts. The materiality assessment conducted by this panel has integrated knowledge based on historical baseline studies, environmental impact studies, facility monitoring and events over time. The result is the materiality matrices of dependencies and impacts broken down for the company as shown below.

— Biodiversity dependencies

	Generation				Production and injection	Distribution	
	Wind	Solar	Hydropower	Thermal	Biomethane	Electricity	Natural gas
Resources used in the process							
Non-mineral resources such as fuels (natural gas and others).				Very high			Very high
Renewable resources such as wind and solar radiation.	Very high	Very high					
Groundwater stored underground in aquifers, which comes from precipitation, snowmelt and freshwater streams.		Very low	Average	Low			
Surface water that comes from precipitation of water flows from natural sources.		Very low	Very high	Very high			
Services that make the process possible							
Maintenance of water flow through the hydrological cycle, that allows water to circulate through the atmosphere, land and oceans, responsible for recharging groundwater sources and maintaining surface water flows.			Very high	Average			

Continues >

	Generation				Production and injection	Distribution	
	Wind	Solar	Hydropower	Thermal	Biomethane	Electricity	Natural gas
Services that make the process possible							
Water quality resulting from the maintenance of adequate chemical conditions of water, including rivers, lakes, groundwater sources and salt water, to ensure favourable living conditions for the biota.			Low	Low			
Pollination is a service provided by three main mechanisms: animals, water and wind. Most plants depend to some extent on animals acting as vectors, or pollinators, for pollen transfer.					Average		
Services that mitigate direct impacts							
Bioremediation, the natural process by which living organisms such as micro-organisms, plants, algae and some animals degrade, reduce and/or remove pollutants.			Low	Very Low	High		
Filtration, which is the sequestration, storage and accumulation of pollutants by a variety of organisms including algae, animals, micro-organisms and plants.			Very low	Low			
Regulation of the chemical composition of the atmosphere, which through pollutant diffusion processes allows the maintenance of air quality.				Very high			

Continues >

	Generation				Production and injection	Distribution	
	Wind	Solar	Hydropower	Thermal	Biomethane	Electricity	Natural gas
Protective services							
Nature's regulation of the global climate through the long-term storage of carbon dioxide in soils, plant biomass and oceans. At regional level, climate is regulated by ocean currents and winds, while at the local and micro level, vegetation can modify temperature, humidity and wind speed.	Very high	High	Very high	Very low	Average	High	Average
Flood and storm protection provided by the buffering and attenuation effects of vegetation.	Average	Average	High	Average	Average	Average	Average
Erosion protection and land stabilisation provided by vegetation cover, terrestrial, coastal and marine ecosystems, coastal wetlands and dunes. Vegetation on slopes also prevents avalanches and landslides, and mangroves, seagrasses and macroalgae provide protection against coastal erosion and sediment.	Average	Average	Very high	Low	Low	Average	Average

Key:

Very high: the process is extremely vulnerable to interruptions. The degree of protection provided by the ecosystem service is critical and irreplaceable.

High: the process is vulnerable to interruptions. The degree of protection afforded by the ecosystem service is hardly substitutable.

Average: most of the time, the process can take place with limited disruption to the ecosystem service due to its resilience to disruption.

Low: most of the time, the process can take place even with the total interruption of the ecosystem service.

Very low: in general, the production process can take place even with a total disruption of the ecosystem service.

Source: ENCORE and own elaboration.

The following table summarises the main impacts on biodiversity that may arise from the company’s operation at the sites and adjacent areas. In the preparation of the table, the impacts that occur in the operation of the facilities have been considered. In the case of wind farms, photovoltaic plants, biomethane plants and power grids, the impacts produced in the construction phase have also been considered due to the new investments being made in these types of assets.

— Potential impacts on biodiversity

Natural environment	
<p>Water use, including collection and consumption, especially of freshwater in water-stressed areas.</p>	<p>The greatest potential impact is from combined-cycle power stations, which require water on a permanent basis for their operation, especially for the cooling process. Although facilities located in water-stressed areas may induce a decrease in the resource, most of them have been designed to avoid freshwater consumption by using seawater or reusing discharges from other activities.</p> <p>Regulating or diversion hydropower plants can affect the amount of water available downstream. To minimise the impact, sufficient ecological flow is released to maintain both natural and socio-economic water uses.</p> <p>Photovoltaic power stations may occasionally consume water for washing the solar panels, although the volumes required are not high and dry cleaning alternatives can be implemented or with water from other areas in the event of water stress.</p>
<p>Land occupation and modification of terrestrial ecosystems, e.g. through vegetation clearance.</p>	<p>The construction of new projects temporarily modifies the terrestrial habitat, except for the areas that are permanently occupied during the operation phase.</p> <p>The facilities that have the greatest impact on terrestrial ecosystems are photovoltaic plants and power lines. The construction of power lines involves the removal and permanent maintenance of a buffer strip devoid of tree vegetation. In any case, this is a reversible and recoverable impact, since, in addition to carrying out prior studies to select the alternative with the least impact, after completion of the works the affected areas are environmentally restored, except for those occupied by the installations, which are recovered after dismantling at the end of their useful life.</p> <p>Biomethane facilities are generally located inside other facilities (farms, water treatment plants, etc.), so their impact on land use is very limited.</p>

Continues >

Natural environment

<p>Effects on freshwater ecosystems such as wetlands, ponds, lakes, streams, rivers or peatlands needed to provide ecosystem services such as water purification, fish spawning, etc.</p>	<p>Hydropower plants mean the permanent replacement of the river ecosystem and the creation of a new, sometimes high quality, lake-type ecosystem. Downstream of the dam, modification of the natural flow may alter the aquatic ecosystem.</p> <p>Water consumption and thermal discharges from combined cycle thermal power stations may also affect the aquatic ecosystem of the receiving environment, although studies of the aquatic environment and discharge modelling have been carried out in their design to include the necessary measures.</p> <p>The construction of wind farms or photovoltaic plants may cause minor temporary alterations to nearby aquatic ecosystems, although preventive measures are taken and monitoring is carried out on site to detect and correct negative impacts.</p> <p>Biomethane plants have a net positive impact, as the transformation of organic waste such as slurry or manure into biomethane avoids its deposition on land and avoids negative impacts on water pollution and ecosystems.</p>
<p>Effects on marine ecosystems, e.g. due to the presence of infrastructure necessary for the process.</p>	<p>Water discharges from coastal combined-cycle power stations can have a permanent impact on the marine ecosystem in the dispersion area due to chemical contamination and, above all, due to the temperature increase of cooling discharges. However, in the design phase of the combined-cycle power stations, studies of the aquatic environment and discharge modelling have been carried out to include the necessary impact reduction measures.</p>
<p>GHG emissions such as CO₂, methane, N₂O, SF₆, etc.</p>	<p>Thermal power stations emit greenhouse gases, mainly CO₂, during operation. In recent years, there has been a very sharp decline in the energy intensity of these power stations due to the closure of coal-fired power stations, as combined-cycle power stations have emissions in the order of one third per unit of energy produced.</p> <p>Gas networks have an impact on the climate due to the leakage of methane, a greenhouse gas. To minimise this and reduce leakage, regular monitoring and maintenance is carried out.</p> <p>Some elements used in electricity grids can produce local and temporary leaks of SF₆, a greenhouse gas. However, technological solutions are being implemented to reduce leakage and the use of SF₆ in equipment.</p> <p>Biomethane has a positive impact on the climate, as it is a CO₂ neutral gas, which means a reduction of greenhouse gases. Depending on the origin of the organic waste from which it is generated, it can even be a sink.</p>

Continues >

Natural environment	
<p>Emission of air pollutants, such as NO_x, SO₂, particulate matter, etc.</p>	<p>When thermal power stations are in operation they emit air pollutants, mainly NO_x. During the design phase, atmospheric modelling was carried out to define a suitable location for the installations. This, together with the systems put in place to reduce these pollutants, ensures that pollution values in the environment remain within the acceptable levels set by legislation. This is evidenced by the air quality measurement networks installed around combined-cycle power stations.</p>
<p>Water pollution from discharges with temperature increases, chemical compounds or nutrients into the receiving water body.</p>	<p>Hydropower plants may under certain conditions temporarily cause deterioration of quality downstream of the reservoir, e.g. reduction of dissolved oxygen. The impact is recoverable, and measures to improve water oxygenation have been included in the plants where necessary.</p> <p>Discharges from combined-cycle thermal power stations can reduce the quality of the receiving environment due to thermal (cooling discharges) and chemical (process discharges) pollution. To reduce the impact, environmental criteria have been considered in the design of the cooling systems, installing cooling towers where necessary and including the corresponding measures to keep pollutant levels within the limits set by legislation. In addition, discharge control is carried out by monitoring the main pollutants.</p> <p>Biomethane plants have a net positive impact, as the transformation of organic waste such as slurry or manure into biomethane avoids its deposition on land and avoids negative impacts on water pollution and ecosystems.</p>
<p>Soil contamination from accidental spills or inadequate management of waste or materials likely to release pollutants.</p>	<p>Localised incidents in the construction or operation of facilities, such as leaks or spills, may lead to soil contamination by oil or other residues. The quantity and hazardousness of these substances is very limited, and preventive management and monitoring measures avoid negative impacts.</p> <p>Biomethane plants have a net positive impact, as the transformation of organic waste such as slurry or manure into biomethane avoids land disposal and negative impacts due to soil contamination.</p>
<p>Generation of hazardous, non-hazardous and inert solid waste.</p>	<p>The construction or operation of facilities involves the production of waste. Its magnitude is not high given the quantity and characteristics of the waste produced and the environmental management system in place.</p> <p>Biomethane, on the other hand, involves the recovery of organic waste generated in other activities, and therefore has a clear positive impact.</p>

Continues >

Natural environment

Noise disturbance, light emissions, etc.	<p>Noise nuisance can occur during the operation of wind farms.</p> <p>In the vicinity of thermal power stations, noise and traffic nuisance may occur.</p> <p>In all cases, noise modelling is carried out in the design of the facilities to include the necessary measures to keep noise below the legal limits. In addition, measurements are regularly carried out to verify the effectiveness of the measures.</p>
Effect on wildlife.	<p>In hydropower plants, the existence of the reservoir and the presence of the dam produce permanent alterations on aquatic fauna, affecting spawning areas or cutting off migratory flows. The impact can be irreversible, although it is recoverable through the adoption of measures such as ecological flow or the installation of devices to allow aquatic fauna to overcome the dam (fish ladders, etc.).</p> <p>The operation of wind farms poses a risk of collisions of birds and bats with wind turbines.</p> <p>The construction of photovoltaic plants may affect steppe birds present in the area, and power lines may cause collisions and electrocution of birds and bats on the power lines. During the design phase of all these projects, the presence of sensitive species is analysed, adapting the location and implementation of the facilities, including avoiding measures. In addition, environmental monitoring is carried out to implement additional measures if necessary.</p>
Creation of favourable conditions for the establishment of invasive species, pests and pathogens.	The activities do not lead to the introduction of invasive alien species, although the reservoirs of the hydropower plants may create favourable conditions for their settlement.

Social setting

Impact on landscapes.	<p>The presence of higher installations, such as wind turbines, stacks of thermal power stations or electricity pylons, can lead to a reduction in the quality of the landscape. In the case of thermal power stations or power lines, when they are located in industrial or anthropised areas, the impact is reduced by visual integration. In most cases, the impact is irreversible and can be recovered by carrying out specific visual screening measures.</p> <p>In the case of hydropower plants, the impact can be positive in flowing type reservoirs, where there is no dry band due to the mirror effect of the water sheet.</p>
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Social setting	
Effect on cultural heritage.	During the construction of new facilities there is a risk of permanent damage to archaeological remains located in the area. To avoid this, during the design phase, archaeological surveys and on-site monitoring performed during earthworks to detect and avoid affecting elements of cultural heritage. This risk is not significant for biomethane as it is located within other facilities (farms, water treatment plants).
Job creation and induction of economic activities.	The construction and operation of the facilities involves job creation. In addition, income is generated in the municipalities from tax payments and indirect economic activities.

Fuente: ENCORE y elaboración propia.

During the construction of new facilities there is a risk of permanent damage to archaeological remains located in the area. To avoid this, **during the design phase, archaeological surveys and on-site monitoring performed** during earthworks to detect and avoid affecting elements of cultural heritage



The construction and operation of the facilities involves **job creation**. In addition, income is generated in the municipalities from tax payments and indirect economic activities.



	Wind power generation					Photovoltaic generation					Hydropower generation							
	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability
Natural environment																		
Water use, including collection and consumption, especially of freshwater in water-stressed areas..	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Very low	Temporary	Localised	Reversible	Recoverable	-	High	Permanent	Extensive	Reversible	Recoverable
Land occupation and modification of terrestrial ecosystems, e.g. through vegetation clearance.	-	Low	Temporary	Localised	Reversible	Recoverable	-	High	Permanent	Localised	Reversible	Recoverable	-	High	Permanent	Extensive	Reversible	Recoverable
Effects on freshwater ecosystems such as wetlands, ponds, lakes, streams, rivers or peatlands needed to provide ecosystem services such as water purification, fish spawning, etc.	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Very low	Temporary	Localised	Reversible	Recoverable	-	High	Temporary	Extensive	Reversible	Recoverable
Effects on marine ecosystems, e.g. due to the presence of infrastructure necessary for the process.	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Very low	Temporary	Localised	Reversible	Recoverable	-	High	Temporary	Extensive	Reversible	Recoverable
GHG emissions such as CO ₂ , methane, N ₂ O, SF ₆ , etc.	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Very low	Temporary	Localised	Reversible	Recoverable	-	High	Temporary	Extensive	Reversible	Recoverable

Thermal generation					Biomethane production and injection					Electricity distribution					Gas distribution								
Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability
-	Very high	Permanent	Extensive	Reversible	Recoverable	-	Very low	Temporal	Localised	Reversible	Recoverable	-	Average	Permanent	Extensive	Reversible	Recoverable	-	Low	Temporary	Localised	Reversible	Recoverable
-	Average	Permanent	Localised	Reversible	Recoverable	+	Average	Permanent	Extensive	Not applicable		-	Average	Permanent	Localised	Reversible	Recoverable	-	High	Temporary	Extensive	Reversible	Recoverable
-	Very high	Permanent	Extensive	Reversible	Recoverable	+	Average	Permanent	Extensive	Not applicable		-	Low	Temporary	Extensive	Reversible	Recoverable	-	High	Temporary	Extensive	Reversible	Recoverable

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	Wind power generation						Photovoltaic generation					Hydropower generation						
	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability
Natural environment																		
Emission of air pollutants, such as NO _x , SO ₂ , particulate matter, etc.	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Average	Temporary	Extensive	Reversible	Recoverable
Water pollution from discharges with temperature increases, chemical compounds or nutrients into the receiving water body.	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Very low	Temporary	Localised	Reversible	Recoverable	-	Average	Temporary	Extensive	Reversible	Recoverable
Soil contamination from accidental spills or inadequate management of waste or materials likely to release pollutants.	-	Very low	Permanent	Extensive	Reversible	Recoverable	-	Very low	Permanent	Localised	Reversible	Recoverable	-	Low	Temporary	Localised	Reversible	Recoverable
Generation of hazardous, non-hazardous and inert solid waste.	-	Very low	Permanent	Extensive	Reversible	Recoverable	-	Very low	Permanent	Localised	Reversible	Recoverable	-	Very low	Permanent	Localizado	Reversible	Recuperable
Noise disturbance, light emissions, etc.	-	Average	Temporary	Localised	Reversible	Recoverable	-	Average	Temporary	Localised	Reversible	Recoverable	-	Average	Temporary	Localised	Reversible	Recoverable

	Wind power generation					Photovoltaic generation					Hydropower generation							
	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability	Impact +/-	Materiality	Duration	Scaled-up	Reversibility	Recoverability
Natural environment																		
Effect on wildlife.	-	High	Permanent	Localised	Reversible	Recoverable	-	Low	Permanent	Localised	Reversible	Recoverable	-	High	Permanent	Localised	Reversible	Recoverable
Creation of favourable conditions for the establishment of invasive species, pests and pathogens.	-	Low	Temporary	Localised	Reversible	Recoverable	-	Low	Temporary	Localised	Reversible	Recoverable	-	Low	Temporary	Localised	Reversible	Recoverable
Social setting																		
Impact on landscapes.	-	High	Permanent	Extensive	Reversible	Recoverable	-	Average	Permanent	Extensive	Reversible	Recoverable	- +	Average	Permanent	Extensive	Reversible	Recoverable
Effect on cultural heritage.	-	Low	Temporary	Localised	Irreversible	Recoverable	-	Very low	Temporary	Localised	Irreversible	Recoverable	-	Low	Permanent	Localised	Not applicable	Not applicable
Job creation and induction of economic activities.	-	Average	Permanent	Localised	Not applicable	Not applicable	+	Average	Permanent	Localised	Not applicable	Not applicable	+	Low	Permanent	Localised	Not applicable	Not applicable

Source: ENCORE and own elaboration.

Definitions:

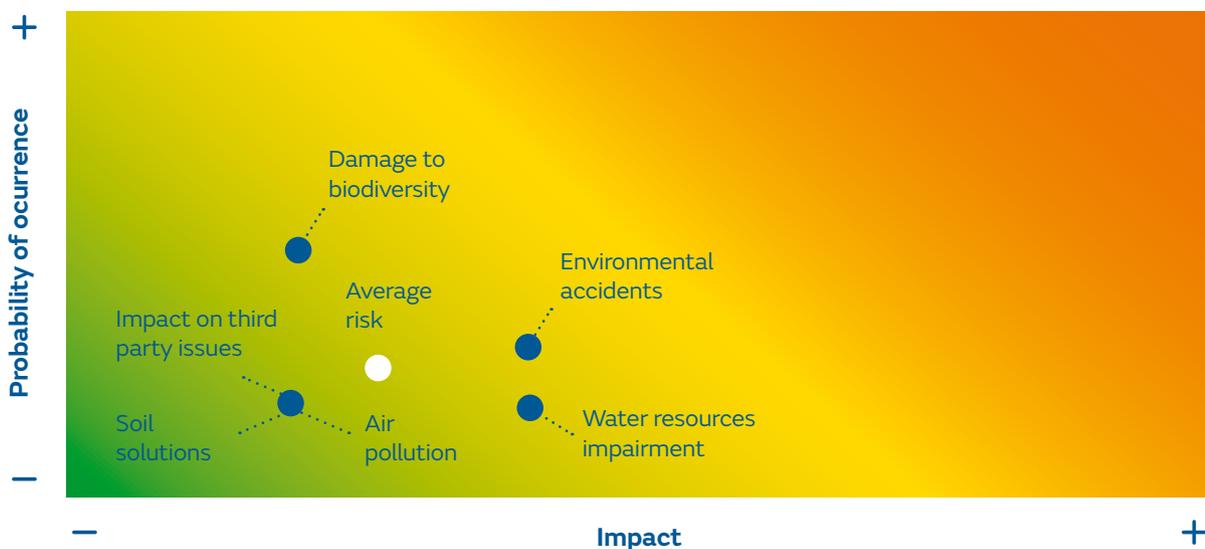
- Impact: beneficial (+) or detrimental (-).
- Materiality: relevance of the impact.
- Duration: time that the impact would remain, being permanent when it is equal to or longer than the lifetime of the facility and temporary otherwise.
- Extent: area of influence of the impact. Localised if it is of a one-off nature, otherwise it is extensive.
- Reversibility: indicates the possibility of reconstruction of the factor affected by the project by natural means once the action has ceased to have an impact on the environment.
- Recoverability: indicates the possibility of recovery of the affected factor through corrective measures. Thus, an impact may be recoverable or irrecoverable.

Risk assessment on nature

Biodiversity risk analysis is currently carried out on the company’s own facilities and the adjacent areas over which they have an influence.

The risks to nature depend on the specific characteristics of the environment in which the activities take place. The information analysed on both impacts and dependencies translates into nature-related risks. In other words, the loss of natural capital, the reduction of the stock of renewable and non-renewable natural resources or the loss of ecosystem functionality entails two types of risks, operational or physical and transitional. Operational or physical risks are due to the materialisation of damage to nature and changes in stocks and natural flows. Transition risks result from changes in policies, technological requirements, legal requirements and consumer preferences. The larger and more catastrophic the expected physical risks, the stronger the transitional risks, as they may entail regulatory or market changes.

These risks are currently incorporated in the Corporate Risk Map as operational environmental and biodiversity risks. The following graph shows the assessment of these risks, based on their impact (horizontal axis) and probability of occurrence (vertical axis).



In relation to the risks arising from the supply chain, the global purchasing and supplier management model considers environmental criteria, including climate change, atmosphere, water, soil, landscape, territory, heritage, resource consumption, waste production and biodiversity. Within this framework, a specific risk assessment is carried out for all suppliers.

In order to carry out a detailed and localised analysis, following the guidelines of TNFD’s LEAP (Locate, Evaluate, Audit and Prepare) methodology, a Geographic Information System is available that analyses the biodiversity risk of the different energy facilities and networks at a global level, considering interactions with areas of high biodiversity value,

the presence of threatened species (taking as a reference the red list of the International Union for Conservation of Nature, IUCN) and water stress (Aqueduct's global water risk map). The system is currently being upgraded to include also the type of ecosystem and its conservation status.

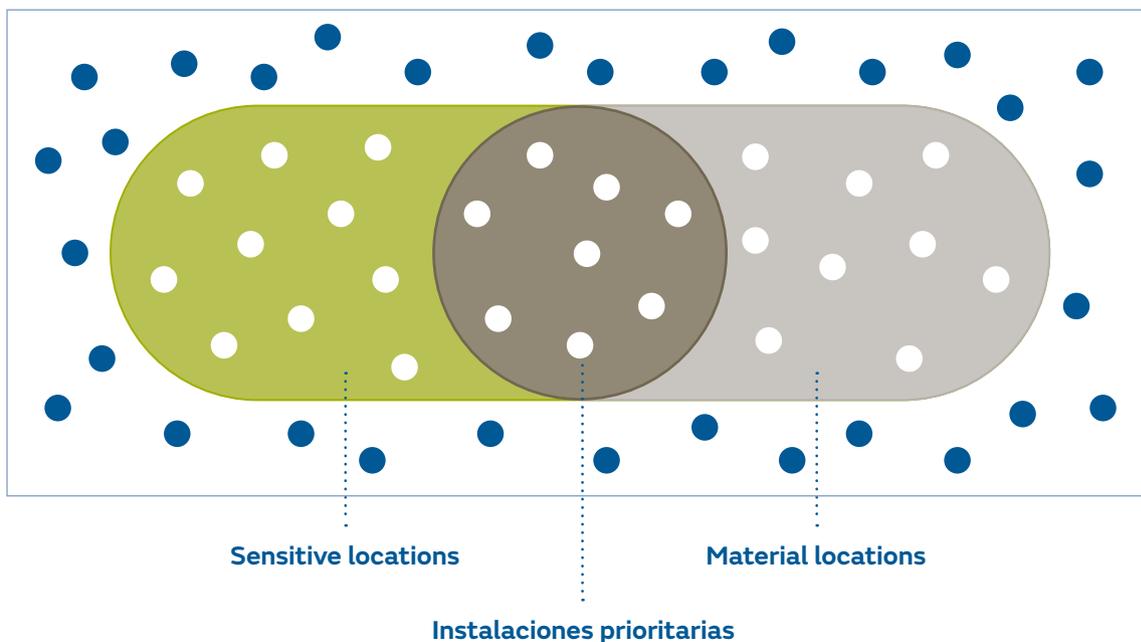
The results of the ongoing LEAP analysis will be available in 2024 and the work has been structured as follows:

- › **L.** Locate key activities and identify their interaction with nature.
- › **E.** Evaluate their dependencies and impacts
- › **A.** Audit their risks and opportunities
- › **P.** Prepare to respond to nature-related risks and opportunities and inform investors.

To date, progress has been made in phase L, with preliminary results including the following:

- › **L1.** Overview of the business model and value chain: the value chain has been analysed, deciding to focus the first phase of the project on direct operations, i.e. the facilities over which there is operational control and sufficient information to carry out a complete analysis. The analysis of upstream and downstream activities will be addressed in later phases.
- › **L2.** Review of impacts and dependencies: based on the SBTN Materiality Tool proposed by TNFD, and making the necessary adaptations to consider the different phases of the projects (design and construction, operation and decommissioning), the key impacts and dependencies of each type of technology on the impact drivers were identified, classifying them on a scale of 5 levels of materiality (from very low to very high). In relation to climate change, taking into account that Naturgy already reports on the effects of climate change related to greenhouse gases (GHG), this impact driver was approached from the point of view of the impacts and dependencies of climate change effects on nature (e.g. extreme weather events or effects on carbon sinks). For the determination of materiality, technologies with moderate, high or very high values have been considered to have significant impacts or dependencies on nature and are therefore considered material facilities. The results of this analysis reveal a materiality relationship with nature for all types of installations except for biomethane plants, power substations, gas pipelines and LPG, CNG and LNG plants.
- › **L3.** Interface with nature. To define the interaction with nature, the location of the facilities, considering their areas of influence, was combined with the IUCN Global Ecosystem Typology source recommended by TNFD. This data source provides information on biomass. This global database has made it possible to identify the specific ecosystem types that are under most pressure.
- › **L4.** Interface with sensitive locations. Sensitive locations are determined on the basis of:
 - Its importance for biodiversity: if the ecosystem is identified as part of a biodiversity hotspot, a protected area or any other internationally recognised site, the risks associated with loss or deterioration of nature are greater. The World Database of Protected Areas (WDPA) has been used for the assessment of importance for biodiversity in all countries, except for facilities located in Spain, where information from Natura 2000 Network Sites (RN2000) has been used.
 - Ecosystem integrity: if the ecosystem has a high conservation status or integrity, activities with a higher impact will compromise these conditions to a greater extent.
 - Water stress: if the location is an area experiencing water stress, where the quantity and/or quality of available water is deteriorating, activities there are exposed to increased environmental risk related to water availability.

By cross-referencing information on physical facilities (L2) and sensitive locations (L4), priority facilities have been identified.



Risk mitigation

Based on the identification of risks, Naturgy carries out environmental management based on the principle of prevention. For years, the company has had an integrated management system (IMS) for quality, environment, health and safety certified in its environmental component according to the requirements of the ISO 14001 standard and audited externally each year. This system is aimed at continuous improvement, pollution prevention and environmental impact reduction throughout the value chain by involving employees, suppliers and other stakeholders. The main goal is to reduce the impact on ecosystems by performing preliminary studies for new facilities, reducing emissions, resource consumption or waste production, and developing direct actions on biodiversity.

With regard to new facilities, the precautionary principle is applied, carrying out preliminary environmental impact studies during the design phase. These studies analyse the environment of the sites, looking carefully at protected areas of high ecological value, adapting the location and components of the project to avoid or minimise negative impacts on biodiversity. In those cases in which it is not possible to completely avoid the impact, the required remedial or compensatory measures are introduced. The establishment of additional voluntary measures contributes to the knowledge and mitigation of the impacts caused by the facilities. The company also takes into consideration the opinion of the stakeholders present in the places where it operates.

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

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

The following are lines of action and examples of initiatives that are being put into place to compensate or reduce the negative impacts on biodiversity:

› **Wildlife protection**

- Several wind farms have implemented measures to prevent bird collisions, such as blade painting or applications for real-time shutdown of wind turbines in the event of a collision risk.
- The systematic removal of carrion (dead livestock, etc.) is carried out in and around wind farms in order to prevent bird collisions, particularly of certain birds of prey such as vultures, which, precisely, are drawn to the carcasses to feed.
- Continued actions to improve the habitat of the capercaillie (an endangered species) in the Lago de Sanabria Natural Park, in partnership with Fundación Patrimonio Natural, among which is the creation of a breeding centre.
- Support to the wildlife recovery centre of Guadalajara of the Regional Government of Castilla La Mancha: housing of wildlife individuals, captive breeding programmes and temporary stays of individuals of species with reintroduction programmes.
- Together with GREFA and in collaboration with the environmental authorities, 40 Lesser Kestrels have been reintroduced, a migratory bird of prey catalogued as vulnerable due to the fact that their populations have been reduced by the transformations suffered in the countryside in recent decades.
- The regular capture of salmon, shad, eel and lamprey reaching the Frieira hydropower plant was continued in collaboration with the Xunta de Galicia. The captured specimens are used to restock the tributaries of the lower course of the River Miño that lie within a protected area, from where they will be able to return to the sea.
- Wildlife protection actions have been carried out in the channel from the Toba reservoir to the Villalba de la Sierra hydropower station to reduce the negative impact on the species affected.
- In more than 2,260 electricity pylons, actions have been taken to minimise the risk of electrocution of birds when they are used as perches. In addition, bird guards have been installed on several sections to reduce the risk of collision.
- In order to understand and reduce the risk of collision of several species of birds of prey (Bonelli's eagle, golden eagle, etc.) on wind farms and power lines, several projects have been carried out to mark, release and track specimens with GPS, in order to understand their movement patterns.
- Maintenance has been carried out on the biodiversity transformers which make use of disused electrical transformer buildings to provide breeding sites and shelter for different wild species (birds, bats, insects, etc.).

› Ecosystem protection and restoration

- A system for the early detection of fires in the vicinity of power lines has been developed in Spain. The alerts are generated through a system that uses real-time information from the EU's Copernicus and NASA satellites.
- Based on the inspections of power lines using drones, a system has been implemented to process the images using artificial intelligence to, among other things, detect nests or birds.
- We have participated in the WETLANDS4CLIMATE project, coordinated by Global Nature, to establish management guidelines for Mediterranean wetlands to function as carbon sinks, while maintaining their ecological integrity, functionality and providing the services of a healthy ecosystem.

Management of opportunities related to nature

The main lines of action within the framework opportunities related to nature are summarised below:

› Nature-based solutions

- Within the framework of nature-based solutions, an innovative initiative is carried out using livestock for the maintenance of power line routes and the site of photovoltaic power stations. The reduction of vegetation on power line routes and photovoltaic power stations is a necessary measure to ensure safety. Replacing machinery with indigenous livestock, with less impact on the environment, boosts traditional grazing and rural development.

› Knowledge generation, dissemination and education

- Various environmental awareness-raising actions have been carried out. In Spain, together with GREFA, training sessions have been held for schools, both in person and online, with 835 schoolchildren and 45 teachers attending. In Argentina, several educational actions on environmental education were also carried out, including various topics of interest, such as the responsible use of natural resources.

› Stakeholder engagement and involvement

- Spanish Business and Biodiversity Initiative: in 2013, Naturgy signed the Biodiversity Pact and since then has participated in this initiative coordinated by the Biodiversity Foundation of the Ministry for Ecological Transition and the Demographic Challenge. In May 2023, the company signed up to the new Biodiversity and Natural Capital Pact, taking on the highest level of ambition.
- Participation in collaborative business initiatives such as the Industry and Ecological Transition Commission of the CEOE, the Nature Business Ambition initiative of Forética or the working group on Natural Capital and Energy, together with other companies in the sector (Cepsa, EDP Spain, Enagás, Endesa, Red Eléctrica Group, Iberdrola and Repsol), to implement a harmonised framework for assessing the impact on the natural capital of the Spanish energy sector.
- Collaboration with different third sector organisations in biodiversity initiatives (Fundación Global Nature, GREFA, FIEB, etc.). The most prominent initiatives are described in the final part of this chapter.

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



Metrics and targets

To mitigate risks related to nature dependencies and impacts, the company has a scorecard that includes all impact drivers that are material to the activities, in line with the SBTN (science-based targets for nature) initiative. The scorecard includes climate change, circular economy, biodiversity and environmental management targets, the achievement of which has a positive impact on nature. The high-level indicators are shown below, with their targets to 2025 and the progress of performance in recent years:

	Target 2025	2023	2022	Base year 2017
Activity with environmental certification according to ISO 14001 ⁽⁴⁾ (%)	95	97.2	97.9	87.7
Calculation of physical climate and energy transition risks at corporate level (50%) and at business unit level (100%) (%)	100	75	50	n.a.
Eligible CAPEX according to European Taxonomy (%)	80	79	67	n.a.
Absolute GHG emissions Scope 1 and Scope 2 (million tCO ₂ eq) ⁽²⁾	11.0	12.9	15.1	21.8
Absolute GHG Scope 3 (million tCO ₂ eq) ⁽²⁾	109.4	101.7	110.1	142.6
CO ₂ intensity in electricity generation (tCO ₂ /GWh) ⁽²⁾	199	247	279	388
Capacity free of emissions (%) ⁽¹⁾	51.10	40.95	37.50	26.00
Installed capacity from renewable sources (%) ⁽²⁾	48.2	37.0	33.7	22.0
Renewable gases (TWh) ⁽²⁾	0.52	0.30	0.22	n.a.
Water consumption (hm ³) ⁽²⁾	14.70	17.00	18.80	28.00
Intensity of water consumption in generation (hm ³ /TWh) ⁽¹⁾	0.31	0.39	0.40	0.60
Waste produced (kt)	110	115	94	824
Recycled or recovered waste (%) ⁽²⁾	93	95	92	33
Atmospheric emissions SO ₂ (kt) ⁽¹⁾	0.9	0.7	0.8	19.2
Atmospheric emissions NO _x (kt) ⁽¹⁾	8.8	8.2	8.1	29.3
Initiatives to improve biodiversity (number)	350	353	345	n.a.
TNFD recommendations (3) implementation at corpo-rate level (%) ⁽¹⁾	100	25	n.a.	n.a.

⁽¹⁾ Targets included in 2023 in the review of the 2025 Strategic Plan.

⁽²⁾ Targets reviewed in 2023 in the review of the 2025 Strategic Plan.

⁽³⁾ Task force on nature-related financial disclosures (TNFD).

⁽⁴⁾ Percentage of Ebitda certified. The Ebitda used to calculate this percentage corresponds to the end of November.

In addition, a series of metrics and indicators are used to assess the most relevant dependencies, impacts and risks on the different impact drivers, as can be seen in the following table:

Impact motor	Indicator	Metric	Location of data in the report
Climate change	GHG emissions.	Amount of direct (Scope 1) and indirect (Scope 2 and 3) GHG emissions emitted by gas type, activity and geography. GHG emissions intensity. Amount of CO ₂ emissions offset.	See chapter on Climate Change and Energy Transition, made in accordance with TCFD recommendations.
		Space footprint.	<p>Total area occupied by type of installation.</p> <p>Environmentally restored area by activity and country.</p>
Change of land use	Impact on natural areas.	Number of sites and km of linear infrastructure within or adjacent to protected areas by type of facility. Total area occupied within or adjacent to protected areas by type of facility. Percentage of area occupied within or adjacent to protected areas by geography.	See section Impact on areas of high biodiversity or protect-ed natural areas below.
		Area environmentally restored in protected areas or benefiting protected species by activity and coun-try. Number of biodiversity initiatives in protected areas.	See Biodiversity initiatives below.

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Impact motor	Indicator	Metric	Location of data in the report
Pollution	Waste produced.	Weight of hazardous and non-hazardous waste generated by typology and final disposal. Percent-age of waste recovered.	See chapter Circular economy and eco-efficiency.
	Spills	Number of spillages by activity and geography. Volume and nature of discharges. Surface area of natural soil affected.	See chapter Circular economy and eco-efficiency.
	Discharges into the aquatic environment	Weight of pollutants discharged into the aquatic environment by typology.	See chapter Circular economy and eco-efficiency.
		Number of incidents of non-compliance related to water quantity or quality permits, standards and regulations.	See chapter Circular economy and eco-efficiency.
	Atmospheric emissions	Weight of non-GHG air pollutants produced by type: - Sulphur dioxide - Nitrogen oxides - Particulate matter - Mercury - Ozone depleting substances (HCFCs and Freon R22).	See chapter Circular economy and eco-efficiency.
Use of resources	Energy and materials	Energy consumption and energy intensity by typology.	See chapter Circular economy and eco-efficiency.
	Energy and materials	Quantity of materials used.	See chapter Circular economy and eco-efficiency.
	Water	Amount of water captured in total and in water stressed areas by origin (sea, fresh, reused...).	See chapter Circular economy and eco-efficiency.
		Amount of water consumed in total and in water stress zones by source and process.	See chapter Circular economy and eco-efficiency.
		Total amount of water discharged and in water stress zones by destination (sea, river...).	See chapter Circular economy and eco-efficiency.

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Impact motor	Indicator	Metric	Location of data in the report
	Species at risk of extinction.	Number of IUCN Red List and nationally listed species in areas affected by operations by faunal group and level of extinction risk.	See section Impact on protected species below.
State of nature and others	Impact management.	Percentage of activities under certified environmental management system to reduce risks to environment and biodiversity.	See chapter on Governance and environmental management.
	Impact management.	Number of biodiversity initiatives undertaken by mitigation hierarchy and country. Percentage of biodiversity initiatives carried out on a voluntary basis.	See Biodiversity initiatives below.

The main biodiversity-specific indicators are listed below.

Impact on areas of high biodiversity or protected natural areas

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

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

Business	Type of operation	Location with regard to the protected area	Area (ha)		Value of biodiversity 2023
			2023	2022	
Electricity	Generation	Renewable	21,325	20,657	MNA, PPG, MAB, OSPAR, RAM-SAR, IBA, PEIN, PJN, PNA, RF, RN, ZEPA, ZH, ZIC, ZREEN MNA, PPG, MAB, OSPAR, RAMSAR, IBA, PEIN, PJN, PNA, RF, RN, ZEPA, ZH, ZIC, ZREEN
		Conventional	232		MAB, CE, IBA, ZREEN MAB, CE, IBA, ZREEN
	Transmission and distribution	Transmission and distribution	30,218	24,418	MMNA, PN, PPG, LPM, MAB, OSPAR, RAMSAR, ANP, AR, ARM, AUM, BP, HP, IBA, INDEF, M, PE, PNA, PR, RF, RFS, RH, RN, RVS, ZECIC, ZEPA, ZIC, ZREEN MNA, PN, PPG, LPM, MAB, OSPAR, RAMSAR, ANP, AR, ARM, AUM, BP, HP, IBA, IN-DEF, M, PE, PNA, PR, RF, RFS, RH, RN, RVS, ZECIC, ZEPA, ZIC, ZRE-EN

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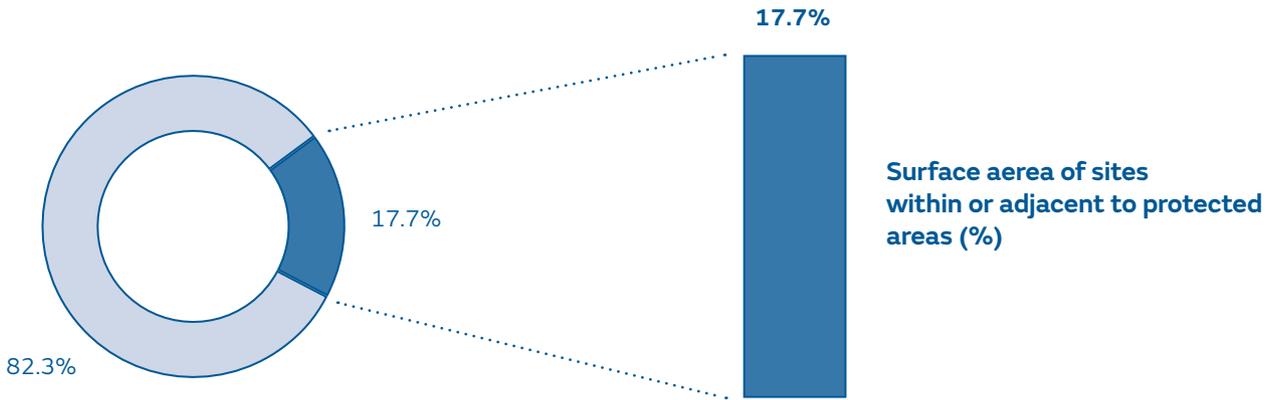
Business	Type of operation		Location with regard to the protected area	Area (ha)		Value of biodiversity 2023
				2023	2022	
	Exploration	Exploration	Within the area.	0	510	
	Biomethane production and injection	Biomethane production and injection	Within the area and next to the area.	0	0	
Gas	Transmission and distribution	Transmission and distribution	Within the area and next to the area.	10,651	9,721	AUS, MNA, PN, PPG, MAB, OSPAR, RAMSAR, ZEPIM, ANP, APA, ARIE, BP, CE, EN, HP, IBA, M, PE, PEIN, PJN, PJNIN, PJNM, PNA, PPU, PR, PU, REX, RFS, RN, RNC, RNP, RVS, ZECIC, ZEPA, ZH, ZIC, ZPECP, ZPHE, ZREEN, ZRES, ZSCE

AUS: Área protegida con uso sostenible de los recursos naturales, MEX | MNA: Monumento natural, BRA ESP MEX PAN | PN: Parque nacional, ARG ESP MEX PAN | PPG: Paisaje terrestre/marino protegido, ARG ESP PAN | LPM: Lugar de patrimonio mundial, ARG PAN | MAB: Reserva de la Biosfera, CHL CRI ESP MEX PAN | OSPAR: Las áreas protegidas, del Convenio para la protección del medio ambiente marino del Atlántico del nordeste (OSPAR), ESP | RAMSAR: Humedales de importancia internacional especialmente como hábitat de aves acuáticas, ARG ESP MEX PAN | ZEPIM: Zonas Especialmente Protegidas de Importancia para el Mar Mediterráneo, ESP | ANP: Área natural protegida, ARG MEX | APA: Área de protección ambiental, BRA MEX | AR: Área recreativa, PAN | ARIE: Área Relevante de Interés Ecológico, BRA | ARM: Área de recursos manejados, PAN | AUM: Área de uso múltiple, ARG PAN | BP: Bosque protector, BRA PAN | CE: Corredor ecológico, BRA DOM | EN: Enclave Natural, ESP | HP: Humedal Protegido, ESP | IBA: Important Bird Area (áreas importantes para la conservación de las aves y la biodiversidad), ESP | INDEF: SIN DEFINIR, PAN | M: Microrreserva, ESP | PE: Parque estatal/ Estadual, ARG BRA MEX | PEIN: Plan Especial de Protección, ESP | PJN: Paraje Natural, ESP | PJNIN: Paraje Natural de Interés Nacional, ESP | PJNM: Paraje Natural Municipal, ESP | PNA: Parque natural, ARG ESP | PPU: Parque Periurbano, ESP | PR: Parque Regional, ESP | PU: Parque Urbano, MEX | REX: Reserva extractiva, BRA | RF: Reserva fluvial, ESP | RFS: Reserva forestal, CHL PAN | RH: Reserva Hídrica, PAN | RN: Reserva Natural, ESP | RNC: Reserva Natural Concertada, ESP | RNP: Reserva Natural Parcial, ESP | RVS: Refugio de vida silvestre, BRA PAN | ZECIC: Zona de Especial Conservación de Importancia Comunitaria, ESP | ZEPA: Zona de especial protección para las aves, ESP | ZH: Zonas Húmedas, ESP | ZIC: Zona de Importancia Comunitaria, ESP | ZPECP: Zona de Preservación Ecológica de los Centros de Población, MEX | ZPHE: Zona de protección hidrológica y Ecológica, MEX | ZREEN: Zona de Red Ecológica Europea Natura 2000, ESP | ZRES: Zona de restauración, MEX | ZSCE: Zona Sujeta a Conservación Ecológica, MEX.

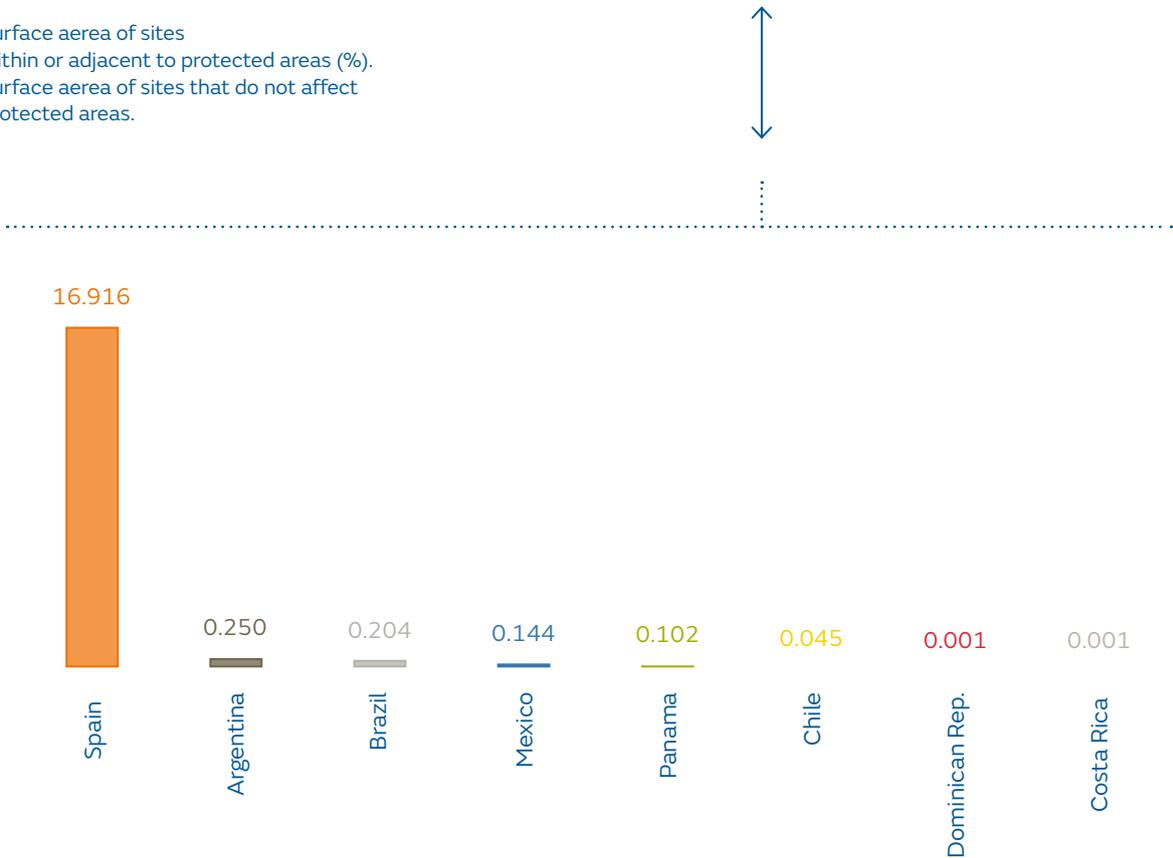
	Total sites			Sites within protected areas		
	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)
2023						
ELECTRICITY GENERATION						
Renewable						
Wind farms	85	n.a.	2,053.0	31	n.a.	432.6
Photovoltaic power plants	24	n.a.	1,881.4	4	n.a.	305.9
Hydropower plants	71	n.a.	21,752.1	39	n.a.	14,475.3
Combined-cycle power stations	15	n.a.	245.4	3	n.a.	39.2
Conventional						
Coal-fired power stations (being dismantled)	4	n.a.	266.3	2	n.a.	164.9
Fuel oil-fired power stations	2	n.a.	8.1	1	n.a.	0.9
Cogeneration	5	n.a.	17.7	1	n.a.	4.8
RENEWABLE GASES						
Biomethane plants	2	n.a.	0.1	0	n.a.	0
ENERGY GRIDS						
Electricity grids						
Power lines	n.a.	152,928	129,576.8	n.a.	29,539	29,989.0
Substations	533	n.a.	546.1	109	n.a.	185.1
Gas networks						
Gas pipelines	n.a.	119,301	196,809.6	n.a.	5,653	10,599.2
LNG, CNG and LPG plants	291	n.a.	240.9	91	n.a.	46.1

	Sites adjacent to protected areas			Total sites within or adjacent to protected areas			
	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	no. (one-off infringements)	km (linear infringements)	occupied surface area (ha)	Sites with environmental management plans (%)
2023							
ELECTRICITY GENERATION							
Renewable							
Wind farms	25	n.a.	392.0	42	n.a.	824.6	100%
Photovoltaic power plants	1	n.a.	6,2	5	n.a.	312.1	100%
Hydropower plants	23	n.a.	5,595.6	43	n.a.	20,070.9	100%
Combined-cycle power stations	6	n.a.	78.2	8	n.a.	117.4	100%
Conventional							
Coal-fired power stations (being dismantled)	1	n.a.	56.5	2	n.a.	221.4	100%
Fuel oil-fired power stations	1	n.a.	3.5	1	n.a.	4.4	100%
Cogeneration	1	n.a.	0.9	2	n.a.	5.7	100%
RENEWABLE GASES							
Biomethane plants	0	n.a.	0	0	n.a.	0.0	100%
ENERGY GRIDS							
Electricity grids							
Power lines	n.a.	n.a.	n.a.	n.a.	29,539	29,989.0	100%
Substations	14	n.a.	43.1	118	n.a.	185.1	100%
Gas networks							
Gas pipelines	n.a.	n.a.	n.a.	n.a.	5,653	10,599.2	100%
LNG, CNG and LPG plants	16	n.a.	5.7	107	n.a.	46.1	100%

The variation in the areas affected is due both to the construction of new infrastructure and to changes in the boundaries and extension of areas of protected natural spaces. When analysing the table above, it is also important to consider that 20,066 ha, 95% of the surface area of the Power generation category, within or next to protected areas, refers to hydropower plants in Spain that were built after 1910 and before the protection regimes for these areas existed. In fact, many of these reservoirs, previous to the protection figure, constitute natural highly valuable aquatic spaces, which have created the natural wealth in biodiversity and caused the area to be subsequently granted environmental protection.



- Surface aerea of sites within or adjacent to protected areas (%).
- Surface aerea of sites that do not affect protected areas.



Impact on protected species

IUCN Red List species and national conservation list species with habitats in areas

	2023				
	Critically endangered species	Endangered species	Vulnerable species	Almost threat-ened species	Least concern
Mammals	2	15	28	22	354
Birds	3	27	40	46	1193
Reptiles	6	13	17	17	437
Amphibians	23	23	20	9	216
Fish	24	32	25	24	355

The International Union for Conservation of Nature (IUCN) conducts ongoing reviews of species listings.

Biodiversity initiatives

Naturgy aims to implement at least 350 biodiversity initiatives by 2025. These are improvement initiatives that are developed throughout the life cycle of the facilities (construction, operation, decommissioning) in order to reduce and offset the negative impacts on biodiversity. To this end, Naturgy develops various actions. These actions can be classified according to the mitigation hierarchy into the following categories:

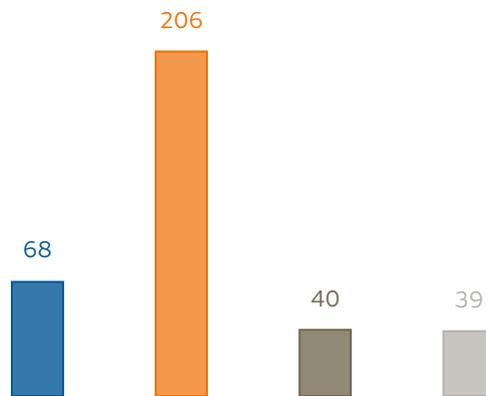
- › **Avoidance:** the first step in preserving the good state of nature is to avoid negative impacts generated by the company on the environment, through proper site selection, planning and execution of activities. This category includes preliminary environmental studies carried out at the design stage of new projects.
- › **Reduce:** when it is not possible to avoid negative impacts on nature, the second step the company takes is to minimise them. This category includes measures contemplated in projects to reduce the impact on vegetation, fauna or ecosystems (e.g. impact control, anti-collision measures for birds in wind farms or power lines, etc.)

- › **Restore and regenerate:** where impacts cannot be fully minimised, Naturgy undertakes measures to create natural capital and compensate for net biodiversity loss
- › **Transform:** the last phase corresponds to the actions taken by the company to restore ecosystems, over and above compensating for negative impacts, with the aim of being positive in nature. This category includes voluntary biodiversity initiatives for nature protection that are not linked to offsetting negative impacts on specific installations.

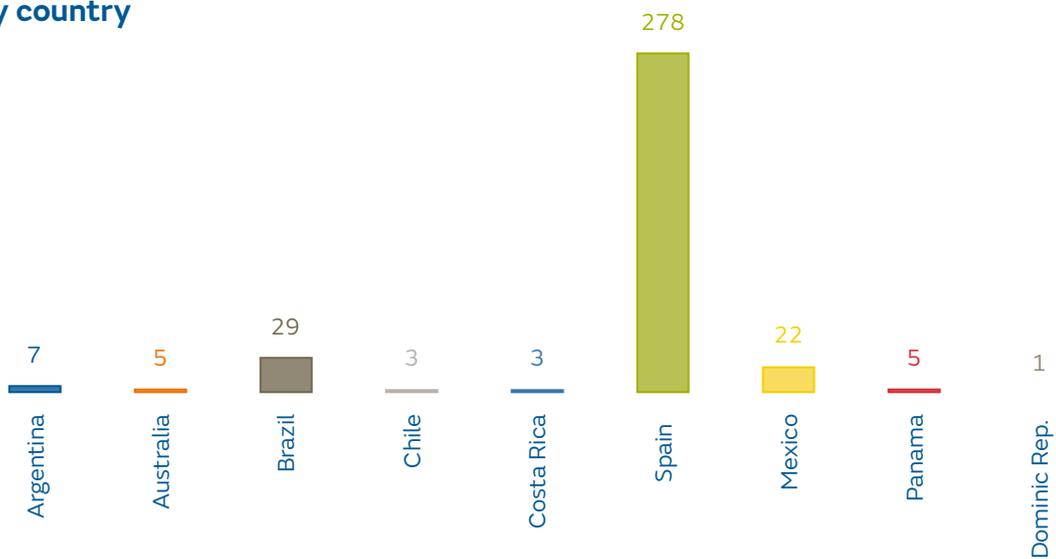
Biodiversity initiatives developed in 2023 are listed below.

Biodiversity initiatives by mitigation hierarchy

- Avoidance.
- Reduce.
- Restore and regenerate.
- Transform.



Biodiversity initiatives by country



Different environmental restoration actions have also been carried out. The following table is a summary of the most important actions taken in 2023.

Habitats protected or restored

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species	Validated by external independent professionals
Argentina	Gas distribution	Reforestation of an area affected by forest fires in the Sierra de San Javier Park, Tucumán province. 1,000 native trees were planted for forest restoration, which will contribute to biodiversity recovery and climate change mitigation. Volunteers from the company and their families participated in this project.	40.0	Yes	Yes
Australia	Renewable generation: wind	Replanting in order to create new vegetation areas and landscape screening of the wind farm.	0.1	No	Yes
Brazil	Renewable generation: photovoltaic	Maintenance, monitoring, pest control and replanting of revegetated areas around photovoltaic plants. Some of the species used in the revegetation are threatened according to IUCN.	19.1	Yes	Yes
Brazil	Gas distribution	Regular maintenance to ensure the establishment of the specimens planted in the region of Sao Paolo for the recovery of the Atlantic Forest.	0.2	Yes	Yes
Spain	Renewable generation: photovoltaic	Reforestation, maintenance and environmental restoration in the surroundings of the new photovoltaic installations, to create reserve areas for biodiversity. In some cases they include the construction of watering ponds to support amphibians and reptiles and also as a watering point for birds and livestock.	237.0	No	Yes

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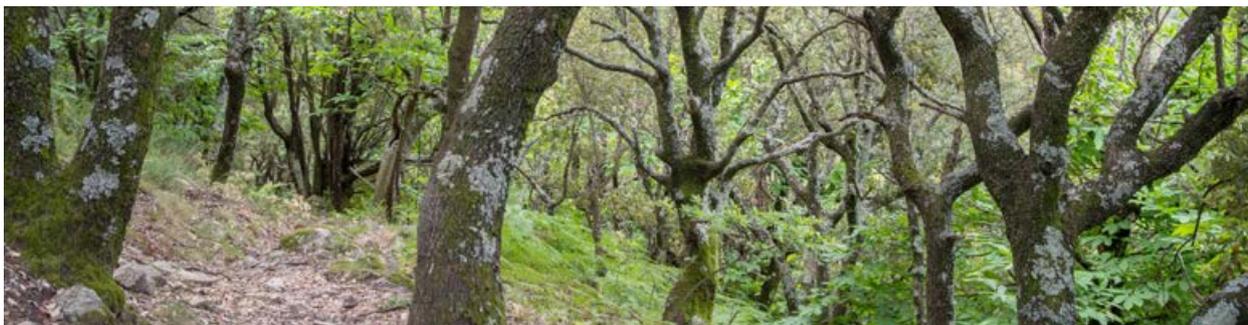
Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species	Validated by external independent professionals
Spain	Renewable generation: photovoltaic	Creation of a conservation reserve area for steppe birds within a protected SPA by maintaining an area of long-term fallow land. To this end, agreements have been reached with farmers responsible for the land so that it can be left fallow and used by steppe birds, such as the endangered little bustard.	15.0	Yes	Yes
Spain	Thermal generation: combined cycle	Control and monitoring to eliminate the invasive species <i>Cortaderia selloana</i> (Pampa duster) is being maintained in the area around the Sabón power station. In addition, on Tree Day, a family day is held with employees of the plant to plant several trees in the surrounding area.	0.6	No	No
Spain	Naturgy Corporation and Foundation	The creation of the Naturgy forest has begun, through two initiatives. The first, in Galicia, was the recovery of a wooded area damaged by drought and pests (1 ha). The second, in an area of the Community of Madrid affected by a forest fire (7 ha), planting different native species to reduce the carbon footprint and expand the forest ecosystem. In both cases, biodiversity criteria have been considered in the selection of species.	8.0	Yes	Yes
Spain	Corporate	Restoration of the banks of the Jarama river, in collaboration with the Natural Environment Service, in the SPA "Carrizales y Sotos del Jarama y Tajo", an area of great ecological value which is a refuge for marshland bird species.	9.0	Yes	Yes
Chile	Renewable generation: wind	Rescue of valuable plant specimens, relocation and environmental restoration in the surroundings of new wind farms.	2.4	No	No
Costa Rica	Renewable generation: hydropower	Reforestation in the vicinity of hydropower plants, prioritising the area of the new containment dam. This dam was built as a climate adaptation measure to prevent damage to the facility caused by flooding of the river. Revegetation is a nature-based solution to prevent erosion in nature.	0.2	No	No

Continues >

Country	Activity	Actions and objectives	Result: restored area (ha)	Benefits protected space or species	Validated by external independent professionals
Panama	Renewable generation: hydropower	A plantation of <i>Pinus caribea</i> has been established in the La Yeguada forest reserve, which is a protected area at the headwaters of the hydrological basin of the San Juan river.	0.2	Yes	No
Panama	Electricity distribution	Various reforestation actions have been carried out. These include the reforestation of vulnerable areas in the wetlands of the Camino de Cruces National Park (essential to guarantee the capital's water supply), the reforestation of the gallery forests of Lake El Flor or the Metropolitan Park of David. Employee volunteers have collaborated in some occasions, and environmental awareness has also been promoted.	3.6	Yes	No
Mexico	Thermal generation: combined cycle	Greenhouses have been set up on the premises of two combined-cycle power stations, in which species native to the area are reproduced and used for reforestation. Universities and technology centres in the area have collaborated with the project.	0.1	No	Yes
Dominican Republic	Thermal generation: conventional	Participation in the "Red Line Rescue Mission" project promoted by the National Botanical Garden, the Ministry of the Environment and ECORED for the rescue of endangered species in the Dominican Republic. Specifically, Naturgy has sponsored the Ozua pepper (in danger of extinction) species, carrying out seed collection, nursery reproduction and planting, as well as awareness-raising activities in the Wetlands of Ozama National Park.	0.2	Yes	Yes
Total restored area 2022 (ha)			335.7		
Target area restored 2022 (ha)			60.0		

Finally, some of the biodiversity initiatives developed in 2023 are highlighted below.

Naturgy Forest



In 2023 Naturgy started its reforestation initiative “Naturgy Forest”, its first corporate forest, with the planting of five types of trees (cork oak, oak, chestnut, yew and holm oak) in an area of one hectare in the area of Cabanas, in A Coruña. The aim is to contribute to the creation of natural capital, generating indigenous ecosystems, in order to combat climate change. For the selection of species, a preliminary silvicultural study was carried out based on the native species suitable for this environment. The planting was done by means of alveoli, which ensures that the trees take root and grow with the same guarantees as they would in the natural environment, thus recovering the ecosystem.

This initiative has recovered degraded areas in Galicia and has the international FSC certification, which guarantees the management of the forest with biodiversity criteria and benefits for the local population. This point is particularly important for Naturgy, as it considers that climate solutions must go hand in hand with biodiversity and social development, and therefore focuses its strategy for absorbing and offsetting emissions on projects that generate a net creation of natural capital and have a positive impact on the local population.

In addition to this project, and coinciding with the 30th anniversary of its foundation, it has launched a second reforestation project with the creation of the Bosque Fundación Naturgy. The project has regenerated an area of 7 hectares in the Community of Madrid affected by a forest fire in 2019, by planting 7,000 trees of different native species (*Pinus pinaster*, *Quercus pyrenaica* and *Celtis australis*). It is estimated that, after a development and maintenance period of 50 years, this corporate forest will contribute to the absorption of 2,220 tonnes of CO₂ equivalent and will enable carbon credits certified by the Office of Climate Change, as well as being a biodiversity hotspot. The reforestation will provide valuable ecosystem services, such as the enrichment of a protected natural area between the Alberche and Cofío river basins, as well as the enhancement of biodiversity, protecting 147 protected species, including the imperial eagle, the golden eagle, the black vulture, the eagle owl, the peregrine falcon, the otter and the wild cat.

These projects are aligned with Naturgy’s commitment and with the objectives of its Sustainability Plan 2021-2025, and will have a triple positive impact: environmental, through its contribution to the conservation of biodiversity, the reduction of climate impact and the generation of natural capital; social, by favouring rural development and the generation of employment; and economic, as it will boost sustainable investments and local growth.

Biodiversity actions in the surroundings of the Palos de la Frontera combined-cycle power station



In the south of the peninsula, at the tip of the Flecha de Nueva Umbría, the area in which our Palos de la Frontera combined-cycle power station operates, is the Paraje Natural 'Marismas del Río Piedra y Flecha del Rompido', a designated Red Natura 2000 site, Special Protection Area for Birds (ZEPA) and Special Conservation Area (ZEC).

Two protected coastal birds nest in this important area every year: the Kentish Plover and the Little Tern. The Kentish Plover is listed as 'Vulnerable' in the Red Book of Birds of Spain and 'Endangered' in the Red Book of Threatened Vertebrates of Andalusia, while the Little Tern is one of the species covered by the United Nations Environment Programme's (UNEP) Agreement on the Conservation of African-Eurasian Migratory Waterbirds (AEWA).

Each year, the Environment area of the Conventional generation department carries out voluntary actions to improve biodiversity and nature conservation, in line with the corporate strategic axis of 'Biodiversity and natural capital'. In 2023, it has been decided to act in this privileged enclave of marshes and coastal sands, a breeding, wintering and passage area for many waders and other wetland species. The project consisted of the installation of perimeter fencing and informative signage to protect the nesting of these birds from human pressure, while protecting the dune ecosystem of the area. In addition, informative talks have been given in local schools to raise awareness among young people of the need to protect the ecosystem and the biodiversity of the beaches. The result has had a very positive environmental and social impact, as it has contributed to the improvement of the population of these protected coastal birds, all in harmony with the tourist use of the area and respecting public spaces.



For more information,
see the project **video**.

Customer experience

Naturgy, **committed to bringing peace of mind and care to its customers**, has continued with the measures aimed at mitigating the impact of energy prices on household economies launched in 2021, while at the same time launching several initiatives to protect the commercial and industrial fabric.

Naturgy remains committed to offering **a commercial supply supporting the energy transition**, based on eco-efficient, simple and customisable products, and maintains its traditional portfolio of services and equipment.



6.

Customer experience

1. Customer experience in 2023 at Naturgy.
2. A tailored value proposition.
3. Customer relations.
4. Quality and customer satisfaction.

Naturgy's contribution to the SDG



Naturgy, as a group integrated along the energy value chain, understands customer experience as a fundamental pillar of its activity. Naturgy seeks to be the energy company of reference, and to this end accompanies, cares for and advises its customers with the aim of receiving the best service at the lowest possible price.

The Group's commitment is not only to its customers, but also to non-customers. It provides society with relevant content on energy and sustainability to inform, educate and raise awareness of the importance of the safe and rational use of energy as well as the impact on the planet. An example of this is the campaign launched in the last quarter of the year in the mainstream media called "Ojo al Vatio" (Eye on the Watt). This campaign, carried out in partnership with the Mediaset communication group, seeks to raise awareness of the importance of energy saving and efficient energy consumption. The initiative aims to encourage a more conscious attitude and bring about a real and lasting change in the relationship households have with energy efficiency.

Such initiatives aimed at encouraging a more conscious and responsible attitude to household energy use have had a prominent dimension in 2023, a year conditioned by the continuation of the war in Ukraine and the start of the war in Gaza. This tense geopolitical situation has been compounded by an economic environment of high inflation, which has led to the implementation of monetary tightening policies such as the hike of interest rates by international regulators. However, 2023 has been a year of gradual normalisation of energy prices after the start of the escalation in 2021 and which, following the conflict in Ukraine in 2022, worsened as the arrival of natural gas from Russia to the countries of the European Union was drastically reduced.

In Spain, the average price of electricity in the daily wholesale market closed 2023 at more than Euros 88/MWh, representing a 53% reduction compared to the average price in 2022. The measures taken by the European Union countries due to the Russian invasion of Ukraine in 2022 and the weather conditions in Spain, which have led to a record generation of renewable electricity, have led to this decrease in prices compared to the previous year. In addition, the Spanish government has maintained the initiatives to contain the price of energy bills implemented in 2022, including the adjustment mechanism and reduced VAT.

1. Customer experience in 2023 at Naturgy

Evolution and results

	2023	2022
Net Promoter Score (NPS) Spain commercialisation (global) (%)	27.0	20.8
Net Promoter Score (NPS) Argentina BAN (global) (%)	57.4	46.0
Net Promoter Score (NPS) Argentina Gasnor (global) (%)	64.1	n.d.
Net Promoter Score (NPS) Brazil (global) (%)	58.7	52.1
Net Promoter Score (NPS) Chile Metrogas (global) (%)	68.0	56.2
Net Promoter Score (NPS) Mexico (global) (%)	73.0	39.4
Net Promoter Score (NPS) Panama (customer service) (%)	7.0	7.4

The significant increase in the indicator in the Mexican subsidiary is due to the introduction of various improvements both in the methodology used to prepare the study to measure customer perception and in operational improvements introduced in the process, which have resulted in an improvement in customer service response times.

Highlights of the year

- › In its commitment to customers, Naturgy has extended the price reduction initiative started in 2022, both in electricity and gas, to more than 2 million customers (residential and SMEs). Of these, 1.5 million have benefited from a reduction of more than 30% in the variable energy price.
- › During 2023, Naturgy has maintained its commitment to sustainability, achieving an important milestone by having more than 1,600,000 contracts with eco electricity certificates (through Guarantees of Origin mechanisms - GoO) and 480,000 contracts with eco gas certificates (through Certified Emission Reduction Certificates - CERs). These certificates are a sign of the company's commitment to the environment and the fight against climate change.
- › For the first time in 2023, biomethane with guaranteed renewable gas origin has been marketed in Spain, either its own or purchased on the market, specifically 7,596 MWh.
- › In 2023, Naturgy's online business in Spain has consolidated its growth position of previous years by increasing by 16% the sale of electricity, which has accounted for 17.0% of Naturgy's sales.
- › In the Latin American subsidiaries, promotion and general improvement of digital channels, voice recognition systems and the incorporation of new functionalities that allow customers to manage supply-related aspects autonomously.

2. A tailored value proposition

Naturgy, committed to bringing peace of mind and care to its customers, has continued with the measures aimed at mitigating the impact of energy prices on household economies launched in 2021, while at the same time launching several initiatives to protect the commercial and industrial fabric.

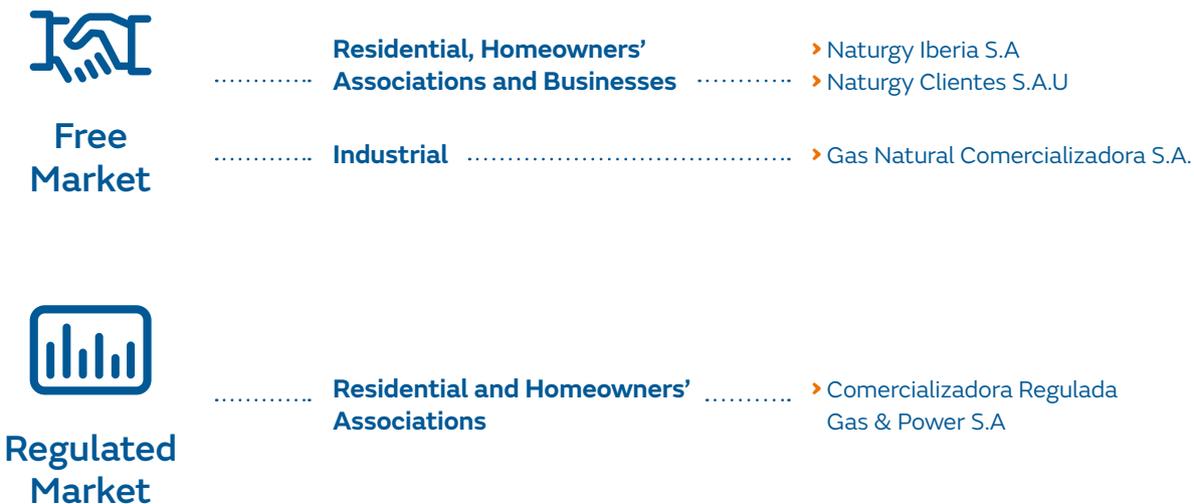
Within this context, Naturgy has reaffirmed its commitment, announced in November 2021, to allocate all available infra-marginal energy to supply electricity at a competitive price through all its tariffs (the residential price takes an energy cost signal much lower than those recorded in 2023). The infra-marginal allocated to its customers in 2023 was 12 TWh (up from 10 TWh in the previous year).

Furthermore, in view of the entry into force of the “Iberian exception” for Spain and Portugal in 2022, approved by the Spanish government and the European Union, Naturgy sent all its customers information notices on how this situation was going to affect them and when they would have to start paying the gas compensation fee.

Naturgy’s commercial strategy in Spain

In Spain, energy commercialisation and distribution activities are clearly separated. While gas and electricity commercialisation is liberalised, distribution is regulated. However, distribution companies also provide some services directly to the customer, e.g. meter reading or periodic inspection, and also deal with customer requests and complaints.

In Spain, Naturgy sells energy through four marketers depending on the segment and market.



Commercial offer

Naturgy remains committed to offering a commercial supply supporting the energy transition, based on eco-efficient, simple and customisable products, and maintains its traditional portfolio of services and equipment.

The commercial supply for 2023 includes the following:

- › Promotion of self-consumption and charging of electric vehicles in all segments.
- › A tariff portfolio segmented according to the needs of each type of client:
 - For Residential, simple products for the home in which the customer can choose the option that best suits their needs: fixed price per kWh, with and without hourly discrimination for electricity, or a personalised flat rate for electricity or a fixed price or personalised flat rate for gas.
 - For SMEs and homeowners' associations, products adapted to the customer's needs: fixed price per kWh for electricity adapted to the different consumption periods, fixed prices for gas with a specific commitment tariff for homeowners' associations and prices pegged to the market, both for electricity and gas.
 - For the Industrial Sector and Companies, a wide range of flexible gas and electricity solutions with a focus on renewable solutions, providing services focused on decarbonisation and managing subsidies for its customers. In these solutions, Naturgy offers a comprehensive service ranging from the initial study, planning of the solution, installation, support management and maintenance throughout the contract, thus achieving maximum efficiency.

That said, in Industrial, there has been a continued reduction in the cost of energy, both electricity and gas, during 2023. Naturgy has accompanied this evolution with the adaptation of the commercial offer: greater sales pegged to HUBs, mainly the most representative in Spain which is MIBGAS, as well as providing with fixed prices that allow customers to secure their costs in the medium and long term.

- › For all customers, the possibility of green electricity commercialisation through the allocation of guarantees of origin equivalent to the previous year's consumption -managed by the CNMC-, and neutral gas with CO₂ emissions offset with CERs (Certified Emission Reduction Certificates) -a process certified by AENOR-. Commercialisation of biomethane (renewable gas) with guarantees of gas origin has also started.
- › New power recommendation tool: improvement of the online power optimisation process to encourage customers to assess whether they can make any adjustments to their contracted power in order to save on their bill.
- › Development of new maintenance services that reinforce the commitment to peace of mind at home: from Servigas (focused on gas supply and equipment), Servielectric (electricity supply and equipment), Servihogar (home services) and Servisolar (specific for self-consumption installations).
- › Solutions for the renovation of equipment in the home to improve comfort and energy efficiency, including financing options, extended warranty and maintenance. In this regard, the measures aimed at improving the energy efficiency of Naturgy's customers have led to savings in gas and electricity consumption equivalent to 1.3 TWh.

Innovative products and services in the home

Naturgy Solar	Integral service that offers to all those people interested in the environment and savings a “turnkey” solution, taking advantage of the sun’s resources, without worries and at an optimal cost. Available in its version for individual and collective self-consumption to the internal homeowners associations and to all customer segments.
Virtual Battery	Service for customers to use generation surpluses for self-consumption and thus save even more on their energy bill.
ServiSolar	Maintenance service for solar installations that includes annual preventive maintenance, technical assistance and repair service in less than 48 working hours, with telephone assistance 24h/365 days, travel and three hours of free labour.
Naturgy Recharge	Comprehensive and personalised electric mobility solution that allows customers to enjoy their electric vehicle charging point.
Value-added services family	In 2023, in its maintenance and repair services, Naturgy offset the CO ₂ emissions of all home service callouts.
Servielectric Xpress Parts	Service that extends the current coverage of the Servielectric Xpress modality, covering the cost of the parts of the main household appliances in the event that they need replacing.
Friends & Naturgy	Naturgy product and service recommendation programme in which rewards are offered for each friend that the customer recommends and contracts with Naturgy, with the possibility of obtaining up to €170.
Solution for installation and renovation of equipment in homes	In 2023 Naturgy improved the comprehensive offer for the installation and replacement of boilers, air conditioning equipment, heaters and water heaters, extending the manufacturer’s warranty to six years and with the option of 24-hour installation for boilers.

Innovative products and services for homeowners’ associations and SMEs

GAS Commitment Plan for Homeowners’ Associations	As part of the Naturgy Group’s Commitment Initiatives, and following the worsening of the situation of the gas energy market during 2022, Naturgy enabled a gas tariff for homeowners associations. This tariff has been consolidated during 2023 and has allowed lowering the price proactively to more than 2,000 homeowners’ associations.
GAS Commitment Plan for SMEs	Likewise, within the Naturgy Group’s Commitment Initiatives, Naturgy enabled a fixed-price gas tariff for SMEs, which has been consolidated and developed in 2023, currently serving more than 1,500 SMEs.

Continues >

Fixed price plans	Stable price for a year adapted to the consumption of each customer, regardless of fluctuations in the market price of electricity, ensuring control and forecasting of annual expenditure. Includes the option of 100% ECO power, when requested by the customer.
Variable price plans	Monthly plan adapted to the wholesale electricity/gas market, for those customers who want to save while assuming a certain risk. 100% ECO energy, when requested by the customer.
ServiSolar SME (<10kW)	Extension of the ServiSolar service for maintenance of solar installations to SMEs of 10kW power.
Virtual Battery SMEs	New service for the self-consuming SME customer to use surpluses generated to save even more on their energy bill. With this innovative product, Naturgy provides the SME customer with a solution that allows them to maximise the profitability of their self-consumption installation.
Value-added services family	Maintenance and repair services for business equipment in gas and electricity for the SME segment. Customisable based on the customers' needs.
Innovative products and services for industry and large business	
Index-linked prices with gas and electricity pricing options	Natural gas and electricity tariffs pegged to the most liquid HUBS in Europe, such as MIBGAS and TTF in the case of gas and OMIP in the case of electricity, with the option of setting prices for specific volumes and terms associated with the supply.
Management of grants and subsidies	Advice on the possibility of applying for grants/subsidies and the management of their processing.
GoO for renewable gas in European and national markets	Electronic certificate that certifies the renewable character of 1 MWh of gas and provides detailed information on its production to demonstrate to the end consumer that a certain share or quantity of energy has been obtained from renewable sources.
Certified sustainability test	Certification of the biomethane supplied through the International Sustainability and Carbon Certification (ISCC) EU voluntary sustainability scheme, using the mass balance methodology.
Innovative energy solutions for homeowners' associations, SMEs, industry and large customers	
Naturzero	New comprehensive service for the decarbonisation of companies and large industrial customers through three independent and correlative solutions, which allow us to establish strategies and realistic objectives to invest in energy efficiency, reduce greenhouse gas emissions and contribute to cost reduction.

Continues >

Gasconfort	Service for customers with centralised boilers (homeowners' associations and companies) to optimise the central production plant through the renovation of the equipment, or the transformation of the room and integral management throughout the life of the contract. Equipment financing service, maintenance and 24/7 customer service.
Efficiency solutions	Service aimed at companies and industrial customers which, through consumption monitoring, provides information on consumption habits on a digital panel 365 days a year, and thus allows for expert advice on energy efficiency. Energy audits are available.
LNG option	Aimed at companies and large industrial customers, the service enables natural gas to be brought to customers far from the distribution network. Includes supply, transmission, LNG logistics and maintenance of the LNG terminal.
Naturgy Solar	Comprehensive photovoltaic self-consumption service for industrial customers, from design and installation to maintenance and surplus management.
Recharge	Comprehensive service for electric vehicle charging points. Complete installation, legalisation and management of subsidies, operation, maintenance and electricity supply included.

Improving the customer experience in contracting

Naturgy's goal is to be an accessible and approachable agent for the customer from the outset. This is why a great deal of effort is put into making the contracting process clear, understandable and traceable. The recruitment process, previously segregated and differentiated for each contracting channel, has been simplified into five steps, which are maintained regardless of the contracting channel (online, telephone or face-to-face).

These contracting steps, moreover, are structured on the same online platform, which is the Single Sales Front, accessible by all commercial agencies as well as by the customer who contracts unassisted through Naturgy's website. The purpose of using a single platform is not only to bundle processes, but also to ensure that the communication and explanation of information requests are sufficiently clear to a customer wishing to contract their energy online. This has many advantages, including the fact that no specific training is required for sales agents, and that the customer's experience when contracting through a sales agent is also fully satisfactory.

In terms of experience, perception and communication with its customers, Naturgy has promoted different projects aimed at improving their experience. For example, to ensure that the contracting experience is traceable for the customer, a series of communications are sent by email or SMS (depending on the medium indicated in the contracting process) including, among others: access to the contract signing and downloading portal, acceptance of the use of personal data, activation or contract failure notice in case of refusal, and assistance in the new processing. A further aspect to be noted in 2023 is the development of a new fully digital marketer that transforms all processes with a focus on simplicity and ease for the customer, offering a service that is more expeditious and closer at hand.

Tools to strengthen the sales channel

Ezzing

The main objective of the implementation of the new platform for the management of Naturgy Solar is the automation of the commercial process, thus achieving greater commercial and contracting agility, better customer experience and greater potential to make the product scalable. In this way it is integrated into the rest of Naturgy's systems.

RoboCUR

RPA (Robotic Process Automation) streamlines the contracting and transfer process for the Group's last resort marketer. The ultimate aim is to facilitate the activation of gas and electricity contracts under regulated tariffs, which is particularly relevant for vulnerable customers.

Naturgy has developed different applications that help strengthen the sales channel, as well as tools that improve the customer experience throughout the contracting process, giving them autonomy.

BLUE, commercial knowledge manager

Implemented in October 2022 for all channels providing commercial services. The BLUE manager is a tool that:

- › Hosts all procedures and sales support materials, product sheets, manuals, contracts, annexes of economic conditions, etc.
- › Has an interactive search engine that allows an expeditious search of, for example, queries made by customers at the same time.
- › Sends alerts on news and new content.
- › Provides traceability on the opening of communications to ensure that you have the most updated version of your portfolio and campaigns.
- › Concentrates access to the rest of the tools needed to carry out the commercial work.

BLUE Industrial was launched during 2023. By the end of the year, 375 commercial communications had been published and 20 webinar briefings had been held.

GECO, channel contract manager

Implemented in September 2023 for all face-to-face channels providing commercial services. The GECO manager is a tool that represents a step forward in the digitalisation of the relationship with the channels, optimising the digital signature process and reducing management times.

Since its implementation, more than 370 collaborating companies manage all their contractual documentation through the tool.

Training and knowledge management for service and operational channels

During 2023, Naturgy has continued to develop its centralised and comprehensive knowledge management solution for its service and operation channels driven by technology via an Agora training platform (LMS), the evolution of the current CMS Sapiens and a monitored operation (MASVOZ + JIRA+ SD).

Additionally, with the incorporation of a new supplier, the company is working to promote the digital transformation of learning, with virtual platforms, new designs, the development of e-learning content and the delivery of training programmes for all customer service channels and areas of operation.

Automation and digitalisation of the processes linked to commercial recruitment

In addition to the development of the aforementioned tools, during 2023 Naturgy worked on the automation and digitalisation of other processes linked to commercial recruitment:

- › Automation to incorporate to the sales channel the contacts from potential customers (leads), which will make it possible to establish much more personal relationships with them and users.
- › Reorganisation of the website content for customers (www.naturgy.es) by type of segment: businesses, homeowners' associations and large industrial customers. To this end, three new sections have been created, with product pages and content tailored to each segment. These changes simplify the customer journey and improve business indicators for business segments and homeowners' associations.

Finally, in the face of increasing digitalisation and automation of processes, it is important to have the capacity to analyse the large volume of information available to the company. To this end, an agreement has been reached with Quantum Metric, a tool for behavioural analysis and continuous improvement of digital assets to improve the customer experience in digital environments.

Energy affordability

Naturgy considers that energy affordability for customers is influenced by other external factors such as network availability (accessibility of electricity and gas connections), customer energy needs (climate, quality of buildings, type of appliances, etc.), energy costs (international product market, Group generation mix, weather, etc.), disposable income of the population (GDP per capita, employment rate, energy poverty indicators, etc.), and energy policy and the regulatory environment. More information on the latter can be found in Annex IV. Regulatory framework of the Consolidated Annual Financial Report.

Detailed information on average tariffs, typical gas and electricity bills, the number of customers disconnected for non-payment and reconnections after payment is available in "Annexes, section Customer experience" in this report.

3. Customer relations

For Naturgy, customers are at the centre of all operations. In order to provide the quality service demanded by the company's standards, Naturgy takes the utmost care in the service it provides to its customers so that it is agile and efficient and a benchmark in the sector; all while complying with legal and profitability requirements. To this end, it is essential to establish an active dialogue that makes it possible to discern the needs and to resolve doubts, claims and complaints in the most satisfactory way for the customer.

Providing a customer service that meets the expectations of an increasingly demanding and better informed customer in a context of frequent regulatory changes is a challenge to which Naturgy continues to respond with a multi-channel service. Accordingly, each year the company incorporates new channels adapted to technological changes and reinforces and improves existing media.

As in the contracting of products and services, the premises on which Naturgy's customer service model is based are digitalisation, automation of processes, promotion of customer self-management and uniformity of customer service across all channels to provide a unique omnichannel experience for the customer.

Attention to vulnerable groups remains a priority. During 2023, the initiatives developed in Argentina, Brazil, Mexico and Spain have been maintained, as well as those carried out by the Naturgy Foundation. For more details on the initiatives carried out by the Naturgy Foundation, see chapter "Social Responsibility".

Digital channels

For Naturgy, the digital relationship with and for its customers is a key pillar in its growth and digitalisation targets. The volume of activity reported in 2023 in Spain has consolidated the growth achieved in 2022 in all its digital spaces.

During this period, it should be noted that the websites www.naturgy.es and www.comercializadora regulada.es received more than 36.0 million visits, adding to this, the more than 15.0 million customer visits received in the apps of both Naturgy Iberia and Comercializadora Regulada. Of these visits, more than 500,000 have been interested in photovoltaic self-consumption products, allowing Naturgy to increase its share of interest in search engines by 0.06 p.p.

Within the web spaces, it is worth highlighting the consolidation of the "Frequently asked questions and procedures" section as a space of interest both on corporate websites and in Google searches. Since it was launched at the end of 2022, more than one million visits per year have been achieved, offering customers information of interest related to their relationship with Naturgy and allowing to further guide the company's commitment to digitalisation.

Among other things, this has allowed the percentage of customers registered in the customer area to increase from 44% to 48%, in Naturgy Iberia (achieving an online bill penetration of 56% compared to 52% in 2022).

In addition, during this period, more than 3 million transactions were carried out from the digital spaces (including more than 100 cryptocurrency payments), of which more than 550,000 online requests were handled by the Pepe chatbot virtual assistant. All of this by providing service to more than 10 million visits to the digital customer areas (Customer Area).

This has meant a digital Net Promoter Score (NPS) growth of more than 16 points in both the digital customer and non-customer spaces.

In addition, the Friends & Naturgy programme reported more than 80,000 registered customers who already benefit from the benefits of sharing Naturgy products with their acquaintances.

Finally, with regard to social networks, the leadership of the sector has been consolidated, reaching more than 265,000 fans/followers (on Facebook, Twitter, Instagram and LinkedIn), and generating more than 250,000 digital interactions and 30,000 saves of interesting content. It is worth highlighting the growth on Instagram, exceeding 100,000 followers and consolidating the profile as the number one in the sector.

In Brazil, customer service via social media continued to increase. The number of requests through this channel exceeded 2,500. More than 263 posts were also published on institutional, commercial, sustainability, safety topics, among others, generating more than 1.4 million views.

Customer service

Customer service in the commercialisation business in Spain

Naturgy, with the aim of always putting the customer first, offers its current and potential customers a convenient customer service model, with agile and digital solutions, offering solutions tailored to each type of customer and seeking to maximise self-service.

Naturgy's customer service model is based on proximity, simplicity and multi-channels, offering customer service by telephone, e-mail and post as well as digitally through the web, social networks (Twitter, Facebook, Instagram), Pepe (web Chatbot and Customer Area) and WhatsApp. Naturgy also has over 130 stores throughout the country available to its customers. Naturgy strives for a homogeneous customer experience across all channels.

In a context of growth in the digital relationship with customers, Naturgy has continued its commitment to promote and improve its digital channels. For this reason, it has publicised its WhatsApp channel on the website and in the contracting process and has continued to give greater relevance to the Pepe virtual assistant, accessible both on the public website and in its spaces for customers in the Customer Area and in the Naturgy Customers app.

In 2023, customer service activity was significantly reduced, mainly due to lower energy prices, fewer regulatory changes and an improvement plan in all commercialisation processes to eradicate the root cause of many contacts.

In 2023, Naturgy has consolidated the implementation of the "I'll take care of it" model, providing the Naturgy agent with more tools and capabilities to maximise the resolution of customer requests at the first contact. Where first-contact resolution has not been possible, Naturgy has raised internal and external standards to manage open portfolios in the shortest possible time and with the highest quality.

The following are the main customer service milestones for 2023:

- › Completion of the roll-out of the "I'll take care of it" model across all voice platforms, increasing first contact resolution (FCR) by 18 p.p. and customer satisfaction (NPS) by 35 p.p.
- › Updating of the help section on the website (FAQs), with the aim of resolving the most frequent customer queries and providing guidance on the main reasons for contact/doubts in relation to the life cycle with the supplier (contracting, billing, products, customer area, etc.).

- › Launch of an action plan to tackle the root cause of the main reasons for customer dissatisfaction. To this end, advanced analytics models have been used and process modifications have been addressed through development sprints, thus reducing implementation times.
- › Implementation of a care laboratory in which new procedures have been deployed and new tools have been provided. The aim is to test new operations to increase first contact resolution, maximise satisfaction (NPS) and reduce churn.
- › Implementation of a special attention team (SWAT), whose mission is to proactively deal with the most complex situations and contacts with an unsatisfactory closure that may lead to a contract termination.
- › Focus on improving the time and quality of e-mail support. To this end, work has been done to improve response templates and to ensure interactions with the same customer from the same customer service team.
- › Increasing operational efficiency by developing robots (RPAs) that automate the management of repetitive tasks, such as the name changeover process or the power changeover process.
- › Naturgy has continued to improve its customer service management system aimed at home maintenance and assistance services through Salesforce, which automates communication with customers to make it easier for them to request services from different service channels. They also have video-assistance at their disposal, which allows a diagnosis of their malfunctions so that there is a more efficient solution.
- › Analysis of agents' conversations with customers through generative AI models, assessing a more representative sample, and allowing the definition of new quality indicators, as well as an accurate classification of the reason for contact.
- › Naturgy has opted to continue improving the main point of contact with the customer, the bill. To this end, it has granted it the status of a commercial product, devoting efforts to ensure that the end-to-end customer experience around it is as satisfactory as possible.
- › During 2023, the adoption of online billing has continued to be driven forward, with more than 5% of the customer portfolio now receiving their bill by e-mail. Through this channel, a digital summary of the most relevant information is provided, thus helping the customer to understand the information and keeping them away from technicalities.
- › Measurement of service quality at face-to-face customer service centres (stores) through methodologies such as the mystery customer, to ensure the quality and uniformity of customer service throughout the network
- › Launch of a plan to maximise in-store agent autonomy and first visit resolution.

All the improvements launched during 2023 have enabled Naturgy to achieve the best service levels in recent years. This has been recognised with the Platinum Contact Centre award for the best customer experience.

Customer service in Latin America

In Latin America, gas and electricity distributors provide full customer service from supply to billing and customer service.

Customer service in the electricity and gas network business in Latin America focuses on taking advantage of the technological benefits of digitalisation to automate, streamline and simplify processes and offer customers an increasingly autonomous and multi-channel service experience.

The main developments implemented in 2023 in each of the countries providing gas or electricity distribution services are listed below:

Argentina

- › Transfer to a specialist of the development and administration of the interactive voice service (IVR) platform, which has enabled the platform to be unified in all the group's companies in Argentina (Naturgy BAN, GasNor and Energía San Juan) and the addition of the Cognitive Contact Centre (CCC) tool based on artificial intelligence. In this way, the customer interacts with a virtual assistant who offers clear, concrete and useful answers and 24-hour service every day of the week.
- › Promotion of digital invoicing by e-mail achieving 53% acceptance among users and customers by 2023. In addition, the e-mail message itself offers a button to access the online bill payment tool.

Brazil

- › Consolidation of customer service through digital channels, which already handle 85% of all contacts, both through the website and other digital channels such as WhatsApp, e-mail, social networks, chatbot and IVR.
- › The service channel through the “Minha Naturgy” website was voted best case in the Digital Relationship category of the Smart Award, was a finalist for the Inovativos award, which supports and encourages companies in the Digital Innovation Movement in Brazil, and came second in the Digital Relationship Transformation category of The Customer Summit award.
- › Thanks to an agreement with the Spanish Post Office, there are now 30 more customer service points offering, among other services, duplicate gas bills, debt queries and gas contracting. The aim of the initiative is to take advantage of the reach of the Post Office branches to extend the service and offer more convenience to the population.
- › New bill payment services are made available to customers, such as payment in instalments and the possibility of requesting this service through the different digital channels that the company makes available to customers. As a result of this initiative, supply cut-offs due to unpaid debts have been reduced by 30%.

Chile

- › Implementation of various digital and automated services to improve customer service, such as online self-management, which allows automatic negotiation of debt payment plans via the Metrogas website, or the automation of complaint management processes and the permanent digitalisation of information sent to customers, such as electronic invoices.

Mexico

- › The company has worked to unify and standardise the systems and processes of the customer service channels, offering customers the same information, whether they are attended in person, by telephone or through digital channels.
- › Systems have been implemented for the global visualisation of the customer journey, from request to start-up, with access to all the areas involved, allowing all the agents involved to be aligned and to provide quick, timely and efficient responses.

Panama

- › Implementation of a significant improvement in the IVR in response to suggestions made by customers, partners and the regulator. Following this improvement, customers can choose to listen to information related to the sectors affected by incidents in the electricity service or continue with other procedures related to their supply.
- › Incorporation of new functionalities in the Naturgy Panama Customers application that allow customers to manage various aspects of the supply themselves.
- › Opening of 44 new centres in the main districts of the concession area. All centres are expected to open between March and June 2024, benefiting more than 165,000 customers.

Customer service in the distribution network business in Spain

The main initiatives relating to customer service developed in 2023 in the field of gas and electricity distributors of the Naturgy Group in Spain were as follows:

Gas distribution networks

- › Digitalisation project of the Periodic Inspection process, the one with the largest volume. It focuses on improving customer self-management and increasing service hours by automating calls with a Virtual Assistant and implementing a Chat Bot operating 24/7.
- › Review of the management model to improve first contact resolution and consequently the customer experience, modifying call centre operations.
- › Launch of a transversal CeX project involving all areas of the business to create synergies in favour of customer service, with digitalisation and transformation of processes as the main pillar.
- › Redefinition of the follow-up model for customer complaints to reduce resolution times and give them an end-to-end perspective in the management of requests.
- › Plan to raise awareness of the telephone service, by adapting the vocabulary and the service model, which allows us to empathise with the situation of our customers.
- › Increased autonomy of the complaints management team to avoid referrals to third parties and improve processing times.

Electricity distribution networks

- › Addition of new services and improvements to existing ones in the new private area in the digital services platform within the user relationship digitalisation initiative.
- › Implementation of ININ (new contact centre tool: Interactive Intelligence), which will help work on improving FCR (First Contact Resolution) and NPS (Net Promoter Score) and further develop quality audits.
- › Service in English.
- › Simultaneous telephone and e-mail service.
- › Evolution of the complaints management model through the review and optimisation of the catalogue of standard responses, the implementation of a new root cause tree and the digitalisation and robotisation of the complaints process and the automatic closure of service requests.

Management of complaints

Complaints management by business and country

	2023			
	Total complaints received in the year	No. of claims in portfolio	No. of complaints received /No. of contacts (%)	Mean Time to Resolve MTTR (days)
Gas Distrib. Spain	336,496	8,629	4.3	10.0
Elec. Distrib. Spain	242,730	7,888	16.1	14.0
Commercialisation Spain	697,177	3,840	4.0	(¹)
Elec. Distrib. Argentina	34,892	552	13.9	3.0
Gas Distrib. Argentina	32,198	529	2.6	11.0
Brazil	52,321	153	2.8	4.0
Chile	16,574	390	2.3	4.4
Mexico	182,549	1,082	13.5	4.0
Panama	51,837	523	1.2	9.0

⁽¹⁾ TMR retail: 11.2 and customised MTTR: 36.6.

In 2023, a campaign to resolve very old and complex complaints was carried out in the personalised segment of the Commercialisation Spain business, which explains the figure of 36.6 days.

	2022			
	Total complaints received in the year	No. of claims in portfolio	No. of complaints received /No. of contacts (%)	Mean Time to Resolve MTTR (days)
Gas Distrib. Spain	302,144	16,597	4.2	11.0
Elec. Distrib. Spain	341,636	16,445	25.6	32.6
Commercialisation Spain	1,119,079	54,007	6.1	13.5
Elec. Distrib. Argentina	22,748	81	0.4	16.4
Brazil	60,647	681	4.2	3.2
Chile	10,993	149	1.7	3.4
Mexico	210,074	8,189	5.3	6.0
Panama	37,184	10,548	5.0	9.6

The most significant variations in claims and TMR in 2023 occur in electricity marketing and distribution in Spain due to the energy price situation in 2022, which generated more contract modification operations and, as a consequence, an increase in claims. In addition, in 2022, there was also an IT problem that prevented Naturgy from billing and contracting for some weeks.

4. Quality and customer satisfaction

Naturgy has placed the customer at the centre of its business model, as a key factor for the sustainability of the company, for which achieving a satisfactory level of quality, safety and reliability of the services provided is essential. Thus, all the initiatives undertaken by Naturgy to promote and improve customer relations and customer experience are aimed at meeting the most demanding industry standards and the regulatory requirements of the countries in which it operates, both in the services provided and in the management of electricity and gas networks.

Naturgy has a quality management system certified by TÜV Rheinland and AENOR, under the ISO 9001 standard, which covers quality management and ensures that processes comply with a standard of recognised prestige, both in the marketing of services and in the management of gas and electricity distribution networks.

This fundamental commitment to quality not only guides our leadership vision, but also reflects our responsibility to customers, employees, business partners and society as a whole. This certification is a testament to the high quality standards that our company strives to maintain and continually exceed.

Finally, Naturgy carries out continuous inspection and assessment of all its working methods and facilities, ensuring continuous energy supply. Thanks to the automation and digitalisation of the network, the quality and service indicators that guarantee security of supply have been improved.

Quality of customer service

Naturgy has implemented different methods to ensure, measure and assess the quality of the services provided to customers, both internally (quality assurance) and externally, by measuring the perception of customer satisfaction with the services. This allows the company to gather their opinion in order to evaluate quality standards, discover opportunities for improvement and identify their needs and expectations.

Measuring customer satisfaction

The satisfaction of Naturgy's customers with the services provided is measured using two methodologies, which are applied in the different businesses and countries depending on the need:

- › **Contact point or transactional model:** the objective is to know the perception of Naturgy's customer in the interactions (contact points) of the main processes of its activity. This voice survey is sent to customers involved in a process (customer service, sales, store, website) to monitor the main quantitative and qualitative indicators of their experience, and together with the analysis of the texts of customer communications, take initiatives to analyse and reprocess surveys with low ratings.
- › **Positioning or relational model:** the aim is to know the assessment of Naturgy's customers and the competition, providing an overall assessment of the positioning or perception of the market. The satisfaction survey is aimed at customers and non-customers, whether or not they have had been in contact recently, which enables us to contextualise the results by incorporating competitor insights. It is based on quarterly tracking with weekly survey distribution for the retail segment and semi-annual survey for the industrial segment.

The main indicators to be evaluated in the different studies are the NPS (Net Promoter Score) index, which assesses the degree to which customers would recommend Naturgy, and the satisfaction index, which assesses the overall satisfaction of customers with the company. Detailed NPS results are available in the 'Customer experience' section of this chapter.

Global satisfaction with service quality (on a scale of 0-10)	2023	2022
Spain (retail)	7.5	7.2
Spain (personalised)	7.8	7.2
Argentina (gas)	9.2	8.7
Brazil	8.0	8.2
Chile (gas) ⁽¹⁾	6.0	5.3
Mexico	8.3	n.d.
Panama	7.0	8.2
Total	8.0	7.6

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

Service quality assurance

Naturgy has different tools or systematics that support the quality assurance system of the processes in the provision of services to customers.

- › IT systems where processes and activities are supported, which promote the homogeneity of actions, mitigate errors, favour traceability and control the provision of services.
- › Documented information (procedures) associated with the processes and operating manuals of the different operations to be carried out that enable knowledge management and homogeneity of the service, available on different platforms depending on the process or activity to be developed.
- › Training for the development of the different processes or activities, both for our own staff and for collaborating companies, which encourages the transfer of knowledge and the homogeneity of operations.
- › Quality indicators of the processes that evaluate the degree of compliance with the established parameters, and which, if necessary, allow preventive or corrective actions to be taken.
- › Quality controls for different processes or activities, such as mystery shoppers, listening to customer service and sales recordings, service quality inspections, etc.

All these quality assurance tools or systems are focused on promoting Naturgy's commitment to continuous improvement as an essential element of customer service quality.

Quality and reliability of supply in distribution networks

Another of Naturgy's maxims is to achieve a satisfactory level of quality, safety and reliability of supply in electricity and gas networks, through the maintenance of the facilities and in order to comply with the most demanding standards of the industry and with the regulatory requirements of the countries in which it operates.

To this end, Naturgy carries out a series of inspection and assessment actions with the help of working methods included in its procedures and also through collaboration with contractor companies. Accordingly, for the maintenance plan for each type of facility it designs and includes the necessary prevention and mitigation measures that provide a secure and continuous supply.

In recent years, the company has achieved an appreciable improvement in the main quality and service indicators thanks to preventive maintenance processes, increased automation and the digitalisation of the network. These indicators measure, inter alia, response times to a notification of a malfunction or anomaly, the stoppage time per customer or installed capacity, the kilometres of the grid and facilities inspected, and the number of incidents per kilometre of grid.

Furthermore, Naturgy partakes in several R&D&I projects for storage of energy in batteries, the digitalisation of the grid, the application of drones in the maintenance of facilities using artificial intelligence and the implementation of advanced analytical models in order to define the actions that encompass the predictive maintenance tasks of the main grid equipment.

In both Spain and Panama, the percentage of energy supplied with smart grid technology exceeds 99%. Details of this indicator are available in the "Annexes, Customer Experience" section of this report.

Continuity of electricity supply

	Spain		Argentina		Panama ⁽¹⁾	
	2023	2022	2023	2022	2023	2022
ICEIT: Installed capacity equivalent interrupt time (hours)	0.51	0.59	7.30	n.d.	51.36	38.37
SAIFI: Frequency of electrical power cuts (no. of interruptions by customer)	1.14	1.17	6.50	n.d.	27.11	19.31
SAIDI: Average duration of electrical power cuts (hours)	1.24	1.22	10.70	n.d.	74.16	54.40
ASIFI: No. of equivalent interruptions per installed capacity	0.49	0.82	4.70	n.d.	27.81	19.59
CAIDI: Average customer outage duration (minutes)	60.0	62.4	120.0	n.d.	163.8	169.2

⁽¹⁾ SAIDI Panama data for 2022 is restated due to an error in the information reported.

The main reasons for the improvement in the continuity of supply in Spain compared to 2022 are the decrease in the number of fires that occurred in the summer of 2022 in Galicia and the decrease in the number of storms at the end of the year compared to the last months of 2022. A decrease in medium-voltage incidents is also noticeable due to the renovation of the installations carried out during 2023.

Fraud and impact on quality of supply

Naturgy's commitment to offer affordable energy also includes actions to put an end to energy fraud, which, beyond the economic impact, entails a series of damages for end users. These include:

- › Reduced tax collection.
- › Higher energy costs for end users.
- › Unfair competition between user companies.
- › Risk for public safety from illegal connections.
- › Discontinuities in supply due to network overload caused by illegal connections.

Among the investigation and anti-fraud actions carried out by Naturgy in Spain, in collaboration with the security forces and corps during 2023, 307 anti-fraud actions for illegal connections in occupied dwellings, which involved the suspension of 733 connections are worth mentioning. Likewise, the number of interventions carried out for electricity fraud in illegal cannabis plantations (indoor) continues to increase year after year.

It is relevant to mention the situation in the area called Cañada Real (Madrid, Spain), where the company has been working since 2021 in coordination with the Commissioner of Cañada Real, law enforcement and in collaboration with all social actors and administrations, such as the High Commissioner for Child Poverty of the Government of Spain, to resolve service interruptions caused by network overload due to non-located consumptions registered during last year.

Commitment and talent

Naturgy upholds a **firm commitment to people and their development**, promoting their leading role at the centre of decisions based on the company's strategy, purpose and value proposition.

The strategy of boosting “360° Commitment” evolves and transcends towards the Group's culture and professional experience, where **well-being and sustainability are central concepts**, leveraged by inclusive leadership, flexible models and environments for connecting talent and continuous learning, as promoters of motivation, recognition and transformation in Naturgy.



7.

Commitment and talent

1. Commitment and talent in 2023 at Naturgy
2. Interest in people.
3. Health and safety.

Naturgy's contribution to the SDG



Naturgy upholds a firm commitment to people and their development, promoting their leading role at the centre of decisions based on the company's strategy, purpose and value proposition. The strategy of boosting "360° Commitment" evolves and transcends towards the Group's culture and professional experience, where well-being and sustainability are central concepts, leveraged by inclusive leadership, flexible models and environments for connecting talent and continuous learning, as promoters of motivation, recognition and transformation in Naturgy.

In this model, well-being is conceived as the framework and support for the strategy through a commitment to safety, physical, mental and emotional health, and the deployment of training in the areas of well-being based on the vision of the recently launched School of Happiness and the promotion of self-aware and healthy leadership.

Through a wide range of benefits and flexibility measures, the company adapts to the diversity that exists in the organisation, facilitating work-life balance and encouraging professional development and balance. In this regard, Naturgy's flexible remuneration model stands out as a benchmark in Spain, due to its scope and diversity of coverage.

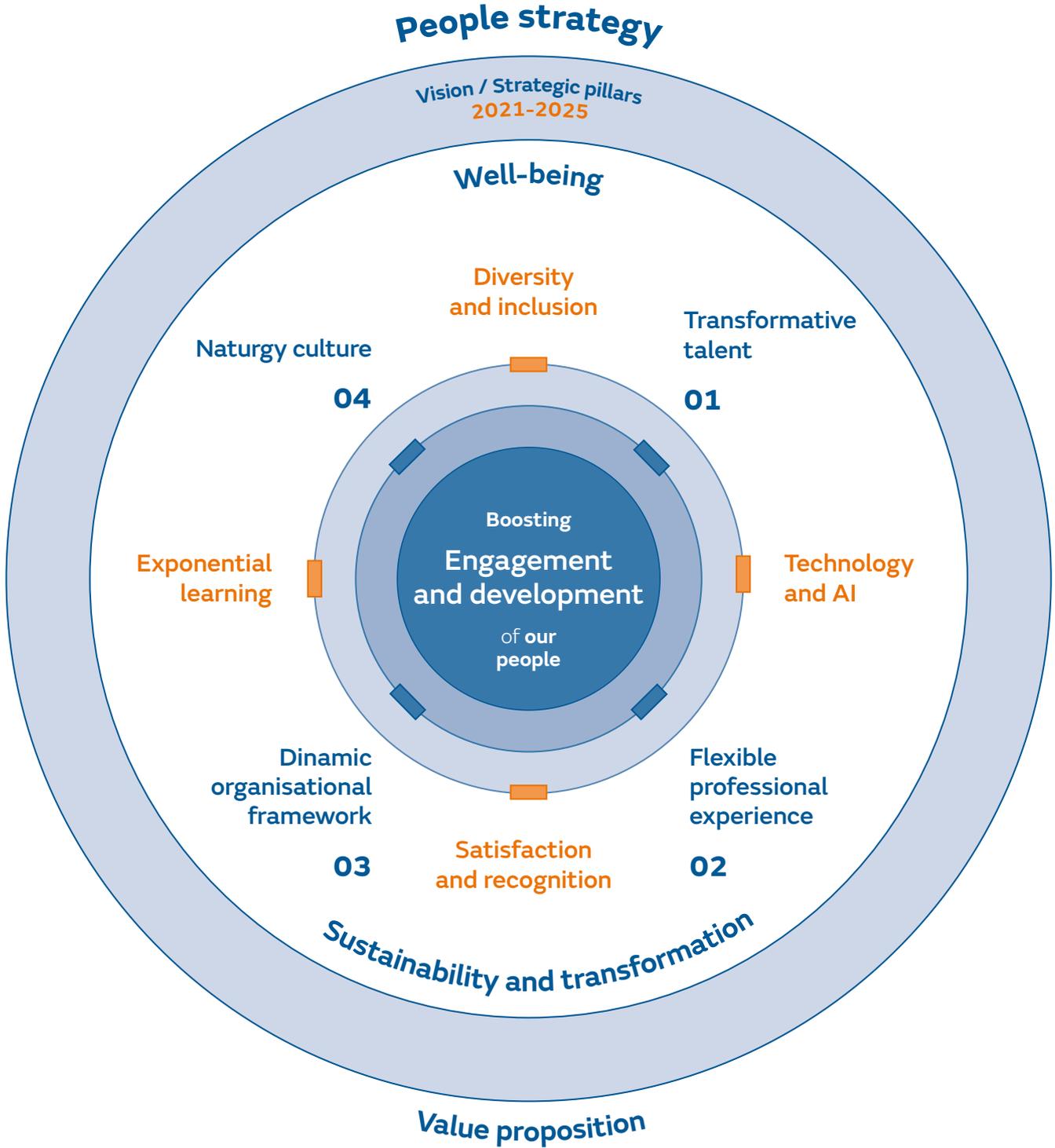
Since the origin of the 360° Commitment strategy, diversity and inclusion have been strategic pillars for the company's transformation and sustainability schemes. Naturgy wants to be recognised as a diverse company in terms of gender, age and skills, and to this end has set medium and long-term objectives that seek to accelerate, for example, the presence of women in positions of responsibility. The company is ahead of the energy sector average and aims to have 40% of senior positions filled by female talent by 2025.

In Naturgy, the professional experience is evolving thanks to continuous listening, measurement and involvement of people to improve initiatives and processes. A global model of feedback and measurement of satisfaction and commitment has been designed, integrating technology that provides online, global and segmented information on the perception of the different groups present in Naturgy, to advance with greater assertiveness in the improvement and design of new experiences in the company.

The Group's value proposition is also permeable to the environment in which it operates, generating professional challenges and opportunities in a globally strategic sector with broad future prospects, in line with the company's strategic plan and the challenges of the energy transition. In this regard, the company continues to incorporate diverse talent through programmes such as Flex & Lead, to add new profiles marked by agility, flexibility and collaboration, with digital skills and a data-oriented mindset.

Also with a focus on sustainability, Naturgy deploys upskilling and reskilling programmes through the Corporate University, giving a strong boost to the digital profile of Naturgy talent, with the conviction that the development of people's skills is a driver of competitiveness, success and business sustainability in the face of current technological challenges and the irruption of AI.





1. Commitment and talent in 2023 at Naturgy

Evolution and results

Interest in people

	2023	2022
Number of employees at 31/12 ⁽¹⁾	6,883	6,982
Men/Women (%)	66/34	67/33
Women in executive positions (%) ⁽²⁾	26.2	26.2
Staff under 30 years of age (%)	5.9	4.9
Personnel costs (million euro)	580	547
Annual investment in training (million euro)	4.7	3.8
Promoter employees (%)	49	24
Employees in collective bargaining agreement (%)	67.8	69.0

⁽¹⁾ Consolidated staff 2023 Group: 7,010 = 6,883 managed staff + 148 people in Spain from companies consolidated by the equity method - 21 people from coal-fired power stations.

⁽²⁾ The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

Health and safety

	2023			2022		
	Total	Men	Women	Total	Men	Women
No. of lost time accidents (No. of employees)	9	7	2	8	7	1
Days lost due to lost time accidents	383	348	35	392	391	1
Mortality rate	0	0	0	0	0	0
Lost time accidents frequency rate	0.13	0	0	0.12	0.15	0.04
Lost time accidents severity rate	5.62	7.71	1.52	5.66	8.00	0.00

Highlights of the year

During 2023, the main achievements in the field of Commitment and talent in Naturgy have been:

- › Opening of the School of Happiness within the Corporate University, through which a training experience and connection with the main trends, tools, experiences and practices in the field of well-being is provided.
- › The end of the 360° Assessment cycle, a key process in the company's management and executive talent management. Following the results of this multi-source and multi-dimensional assessment, a series of feedback and development actions have been deployed during the year in support of the ADGs (Annual Development Goals) that each participant has defined for improvement.
- › Signing of Naturgy's Equality Plan 2023-2027 and signing of the Protocol on sexual and/or gender-based harassment, with adaptation to Law 2/2023 of 20 February.
- › Carrying out training hours on diversity, communication strategies and inclusive treatment for LGBTI+ people. Also training in global work-life balance management for managers, and training on prejudices, stereotypes and unconscious biases in the workplace.
- › Approval of a new health and safety plan 2024-2025 by the Management Committee in October 2023, which will contribute to the achievement of the health and safety commitments and targets assumed by the Board of Directors.
- › Carrying out the psychosocial assessment process at a global level, which takes into account new emerging risks and forms of work organisation (teleworking, digitalisation of processes, cyberbullying, diversity, equality, gender perspective, etc.) adapted to the reality of the company and changes in the environment with the aim of improving health and well-being within the organisation.
- › Implementation of a new analytical tool for the periodic monitoring and control of the activity of digital identities issued by the Telematic Management Support Office in Spain (OSGT), either for the representation of Naturgy before the different Public Administrations or the issuance of financial transactions with certain banks.

Opening of the **School of Happiness within the Corporate University**, through which a training experience and connection in the field of well-being is provided.

2. Interest in people

Summary of awards obtained in 2023

Seals and certifications

Global FRC Certification

Naturgy was the first company in the world to obtain Global FRC Certification in 2013, in recognition of its achievements in balancing the personal and professional lives of its employees, enabling their human and social development, through measures deployed in seven countries.



Top Employer Spain 2023 Certification

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



Diversity Leading Company

Naturgy has obtained this seal awarded by Equipos & Talento, by virtue of its adhesion and active participation in the Empowering Women's Talent programme for the development of female talent and the Diversity Leading Company programme, which verifies and recognises a business management committed to diversity and inclusion.



CLIP certification

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



Code of Generational Diversity Principle Certificate

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



Top Wellbeing Company Seal 2023

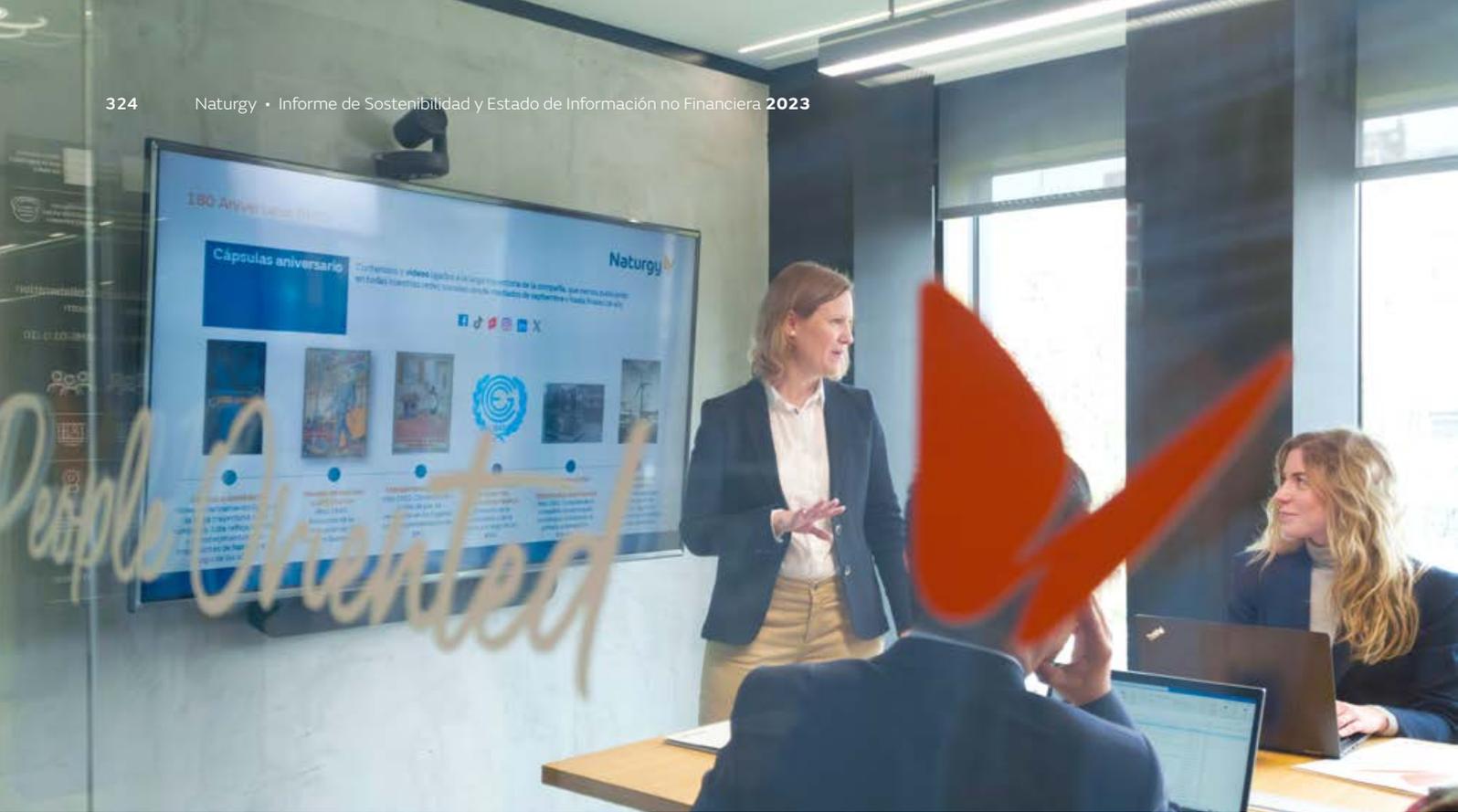
Certificate that substantiates the implementation of a management system that promotes and protects the health, well-being and safety of employees.



Healthy Company

Certificado que acredita la implantación de un sistema de gestión que promueve y protege la salud, el bienestar y la seguridad de los empleados.





Rankings y monitors

Top 50 Diversity Company

Once again Naturgy has obtained an outstanding position within the Top 50 Diversity Company, which recognises the best practices in Diversity and Inclusion in companies where DEI policies become a real asset and a strategic axis.



MERCO TALENTO Ranking

In 2023, the 17th edition of Merco Talento Spain was published, a monitor of the 100 companies with the best capacity to attract and retain talent in the country. In this edition, Naturgy is once again positioned among the top three companies in the energy, gas and water sector. It also ranked fifth in terms of number of employees (between 3,001 and 6,000) and 34th in the overall assessment.



Actualidad Económica Ranking

Annual ranking of the 100 best companies to work for in Spain, in which Naturgy has climbed 31 positions in 2023 to 32nd position, standing out for its initiatives in Talent Management, Training, Remuneration and Compensation, among other areas with a focus on sustainability.



Universum Ranking

Naturgy is positioned in this ranking within the top 100 of the most attractive companies for students in Spain. In particular, in 2023 it has placed 50th in the ranking of engineering students.



Awards

GLOBAL CCU Awards

The Corporate University (CU) has been the only Spanish entity recognised in the awards of the Global Council of Corporate Universities (GlobalCCU), the global network of corporate university professionals.

Specifically, it has received the Gold award, the highest distinction, in the category of Social Impact and Climate Change, which means being at the global forefront of training in the fields of sustainability and innovation.



El Periódico de la Energía Awards

The diverse talent recruitment programme, Flex & Lead, has been recognised as the “Best talent initiative in the energy sector” at the 2nd edition of the El Periódico de la Energía Awards for its impact on gender and generational balance within the company.



Wellbeing Leadership Awards

The Wellbeing Leadership healthy leadership programme, driven by the Corporate University and the company’s Safety, Health and Prevention team, won first place in the Top Wellbeing Business Plan category of the Top 30 WELLBEING COMPANY in 2023.

The award identifies, values and recognises initiatives that contribute to the transformation of our organisation, generating a positive impact on the business through the management of 360 well-being policies.



Diversity and Inclusion Awards

The programme to promote female talent “Community of STEM women”, which arose thanks to the training deployment of Naturgy’s Corporate University in the field of Data, won second place in the gender category of the Diversity and Inclusion Awards, for promoting the prominence of female talent in key projects in the field of Data and technology.

The award recognises our commitment to creating a more inclusive professional environment in which diversity and inclusion policies are part of our value proposition for people.



Naturgy culture

The Naturgy culture frames the processes of the people model from consistency, global approach and leadership, giving meaning and projection to its organisational transformation.

With the strategic vision of a sustainable company, Naturgy continues to focus on the evolution of its spaces and work models, promoting a transformational culture, through three key concepts:



01

Team

- › Cohesion.
- › Leadership.
- › Enthusiasm.



02

Innovation

- › Evolution.
- › Digitalisation.
- › Agility.



03

Working methods

- › Flexibility.
- › Collaboration.
- › Simplicity.

Naturgy, in its commitment to people's well-being, offers stable and quality employment, with an attractive and solid professional career. The profile of the company's professionals, in all countries and businesses, is that of a person with an interest in continuous learning, with rigour and professionalism, an innovative spirit and a commitment to the company's goals.

The Naturgy culture frames the processes of the **people model from consistency, global approach and leadership**, giving meaning and projection to its organisational transformation.

Competence model

In line with the people strategy, culture and leadership at Naturgy play a strategic role in driving the company's transformation project, through the global and transversal adoption of six competencies: (1) continuous learning, (2) courage, (3) communication, (4) collaboration, (5) action and (6) transformation; which make up Naturgy's Leadership Model, making it possible to gain in agility and competitiveness, acting with transparency, excellence and sustainability, in tune with its business challenges, values and cultural keys.



Diversity and equality

It is essential for Naturgy to promote diversity and equal opportunities among all employees who are part of the company. An environment of respect, listening and permanent dialogue is promoted in order to achieve the goals set in terms of gender and inclusion of people with disabilities. The promotion of this environment extends to suppliers and collaborating companies.

The company's commitment is reflected in its global vision, in the sustainability and people strategy, as well as in the Corporate Responsibility Policy, the Code of Ethics, Protocol for the Prevention of Workplace Harassment and the Protocol for the Prevention of Sexual and Gender-based Harassment.

The signing of the Naturgy Equality Plan, on 8 February 2023, unanimously identifies the strengths of the company in this area and establishes a catalogue of specific measures and actions to maintain, correct and prevent deviations in gender equality.

Similarly, the signing of the Protocol on Sexual Harassment and/or Gender-based Harassment with employee representatives reinforces the company's commitment to zero tolerance of harassment situations, as well as encouraging greater involvement of the social partners in these matters.

Equality Plan

Naturgy's Equality Plan is part of the company's commitment and its commitment to the development of labour relations based on equal treatment and opportunities between women and men and non-discrimination.

Unanimously agreed within the Negotiating Committee, it is an effective tool for safeguarding equality between women and men. Equal treatment and opportunities in employment and occupation is a fundamental principle of labour relations and people management in the company, this being the main objective of the Naturgy Group's Equality Plan.

Naturgy declares its firm commitment to ensure equal treatment in all areas and for all purposes, not allowing discrimination on the grounds of gender or otherwise and promoting working conditions that respect equality. Likewise, it is committed to the establishment and development of policies that promote equal treatment, guaranteeing that, with equal aptitudes, knowledge and qualifications, all workers can carry out their job without gender representing an obstacle or a criterion for differentiation for the purposes of pay, promotion and professional training.

The diagnosis of the different companies, carried out within the Negotiating Committee, has made it possible to define a series of objectives and measures for action included in the Equality Plan. Likewise, actions have been defined to monitor them, so that it can be a tool to ensure effective equality between men and women.

Applicable to all workers who make up the staff of the Naturgy Group, including persons who, where appropriate, have been assigned by Temporary Employment Agencies during the periods of service provision.

As specific objectives of the Equality Plan, we highlight:

- › Communication and awareness-raising: Promote an inclusive culture free of bias, where equal opportunities are a transversal reality throughout the company and where there are no stereotypes or preconceived ideas that may hinder the effectiveness of this principle.
- › Selection and recruitment: Attract the best and most diverse talent (focusing on the incorporation of women, especially in positions with more technical profiles) using criteria of capacity, competence, merit and equal opportunities that guarantee objectivity and transparency in all selection and recruitment processes.
- › Occupational classification and under-representation of women: Ensure that the job classification system in force at any given time respects the principle of equal opportunities.
- › Training: Develop the most under-represented talent, through specific technical and leadership training, to achieve a pipeline of people with potential access to senior positions.
- › Promotion and development: Accelerate gender equality at all levels, especially at those levels where women are under-represented, through internal talent promotion and management. Prioritising where possible women to fill positions in male-dominated areas.
- › Co-responsible exercise of reconciliation rights: Facilitating the co-responsible exercise of the rights of employees to reconcile family, work and personal life in order to achieve an appropriate balance between work, personal needs and professional development within the Company.

- › Remuneration: Ensure equal pay for women and men for work of equal value by maintaining compensation systems that ensure pay transparency, promote objectivity and fairness, reward achievement and value performance.
- › Prevention of sexual and/or gender-based harassment: Ensure a safe and healthy working environment, free from violence and harassment.
- › Gender-based violence: Disseminate, implement and improve the legally established rights of female victims of gender-based violence, thus further contributing to their protection.
- › Occupational health with a gender perspective: Integrate a gender perspective into the regular functioning of the prevention system.

The definition of specific measures for the achievement of all these objectives and the constitution of the Equality Plan Monitoring Committee, allows the company to continue advancing jointly in the continuous improvement and management of equal treatment and opportunities.

Protocols

Respect and dignity are the starting point for relations with and between Naturgy employees. These relationships are based on the principles of trust, respect and equal opportunities.

Naturgy expressly rejects and prohibits any manifestation of physical, psychological, moral, sexual or gender-based harassment or abuse of authority. It also expressly rejects and prohibits any other conduct that may create an intimidating, offensive or hostile working environment for individuals.

The purpose of the Protocol on Sexual and/or Gender-based Harassment is to implement a procedure for prevention and action against sexual harassment, agreed in the negotiating committee of the Equality Plan, with the intention of reinforcing a mechanism that establishes how to act in a comprehensive and effective manner in the face of any behaviour that may constitute sexual and/or gender-based harassment, introducing the necessary measures to prevent, identify and combat sexual harassment, ensuring that the procedure for action against such situations guarantees the rights of the victims at all times.

Naturgy's protocol against sexual harassment establishes preventive actions to avoid these situations. These include:

- › Communication to all employees of the existence of this protocol and its content, information on the values and principles to be respected, and unacceptable conduct.
- › Training for the entire staff and, in particular, for managers with people in their charge.
- › Collaboration of all staff, establishing the obligation to use the channels established in the Protocol in the event of any possible case of sexual harassment of which they are aware.
- › Obligation and responsibility of all workers to establish and maintain relationships based on respect and dignity.

The Sexual Harassment Protocol also establishes the possibility that the investigation of any proceedings that may be initiated may be carried out by an Instructing Committee formed on a parity basis between the Company and Workers' Representatives, all of whom are members of the Equality Plan Monitoring Committee.

The Sexual Harassment Protocol also establishes a number of procedural safeguards:

- › Anonymity of the whistleblower and protection of the identity of informants.
- › Resolution of the process in the shortest possible time.
- › Intervention by workers' representatives, if so requested.
- › Impartiality of the process.
- › Prohibition of reprisals.

Commitment to equality and diversity

Diversity management is part of Naturgy's commitment to a sustainable business project, and one committed to investing in and promoting the diverse talent of the organisation and the people who make it up. The company's commitment is based on three main lines of action:

- › Culture focused on diversity: through environments and teams where listening and dialogue enrich the work and the way of achieving the goals set.
- › Alignment with talent strategy: in its talent strategy, Naturgy incorporates annual goals for the different professional profiles. In doing so, it reinforces its commitment to equal opportunities and development for all the company's professionals.
- › Priority SDG 5 - Gender equality: Naturgy understands diversity as a guarantee of the future, sustainability and growth of the business project. The more diverse the people who make up the teams are, the better the performance and the more agile, flexible and innovative the business are in meeting business challenges and offering value solutions for customers and society.

In addition to progress in these areas, Naturgy's efforts in the field of diversity are materialised through specific initiatives in four areas: Gender, Generational, Disability, and Functional.

Naturgy's commitment to equality and diversity is reflected in the Sustainability Plan with a 2025 horizon, and is regularly monitored by the Sustainability Committee. Here we report progress in global female presence and promotion to managerial levels; geographic diversity, professional profiles and different skills. In addition to the Committee, these indicators and their evolution are reported in different monitors and certifications, such as the Dow Jones Sustainability Index and the Global Certification efr.

Women in executive positions (%) ⁽¹⁾

	2023	2022
Argentina	0.0	0.0
Australia	0.0	0.0
Brazil	100.0	100.0
Chile	0.0	0.0
Costa Rica	0.0	0.0
Spain ⁽¹⁾	26.4	26.1
USA	0.0	0.0
France	0.0	0.0
Ireland	0.0	0.0
Israel	0.0	0.0
Italy	0.0	0.0
Luxembourg	0.0	0.0
Mexico	0.0	0.0
Netherlands	0.0	0.0
Panama	0.0	0.0
Portugal	0.0	0.0
Puerto Rico	0.0	0.0
Dominican Rep.	0.0	0.0
Total	26.2	26.2

⁽¹⁾ The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

Presence of women at different levels of responsibility (%)

	2023	2022
Women in executive and middle management positions	33.3	30.9
Women in executives positions ⁽¹⁾	26.2	26.2
Women in middle management	34.2	31.5
Women in business units	33.2	32.0
Women in STEM positions in business units	37.5	36.1

⁽¹⁾ The percentage of women in executive and management positions in Spain is 36.2% (33.7% in 2022), in line with Naturgy's Sustainability Plan target of 40% by 2025.

Employees with disabilities

	2023		2022	
	Number	(%)	Number	(%)
Argentina	5	0.6	5	0.5
Australia	0	0.0	0	0.0
Brazil	9	2.6	11	3.0
Chile	2	0.4	2	0.3
Costa Rica	0	0.0	0	0.0
Spain	74	1.9	64	1.6
USA	0	0.0	0	0.0
France	0	0.0	0	0.0
Ireland	0	0.0	0	0.0
Israel	0	0.0	0	0.0
Italy	0	0.0	0	0.0
Luxembourg	0	0.0	0	0.0
Mexico	0	0.0	0	0.0
Netherlands	0	0.0	0	0.0
Panama	7	2.4	7	2.4
Portugal	0	0.0	0	0.0
Puerto Rico	0	0.0	0	0.0
Dominican Rep.	1	1.4	0	0.0

NB: Employees have the option of not disclosing their disability in all countries. The number of employees with disabilities is only reported in those countries where employees chose to exercise their right to share this information. Data at the end of 2023 (98), the figure published in the Annual Accounts (99) corresponds to the annual average.

Experience of Naturgy people

Flexibility and work-life balance

Naturgy is committed to the work-life balance of its employees. Flexibility and work-life balance are fundamental pillars of staff well-being and organisational success. Improved opportunities for work-life balance also lead to greater commitment on the part of employees.

The Naturgy Collective Bargaining Agreement 2021-2024 includes Naturgy's commitment to work-life balance through the implementation of measures that significantly promote the aforementioned work-life balance, as well as co-responsibility between men and women. These measures are also aimed at achieving real and effective equality between men and women.

The main measures for reconciling work-life balance and promoting co-responsibility include the following:

- › Flexibility in start and finish times, as well as in the meal break period.
- › Continuous working day from June to September (four months) and every Friday of the year.
- › More extensive paid leave due to marriage, illness and death of family members.
- › Paid leave not covered by legislation such as separation or divorce, marriage of children or leave for expectant mothers from the 38th week of pregnancy.
- › Possibility of taking paid leave not necessarily on consecutive days.
- › Reductions in working hours for personal reasons in cases other than those provided for by law.
- › Possibility of accumulating breast-feeding periods.
- › Adaptation of the weekly working day by one hour, as a measure to promote conciliation.
- › Teleworking for one or two days a week, for those workers who carry out functions which by their nature can be performed remotely.
- › Possibility of adapted teleworking for positions which, due to the nature of their functions, cannot combine two days of teleworking.
- › Flexibility for the adaptation of the working week of up to two hours for those in shared custody situations.

Comparison of employees entitled to childbirth and childcare leave and those who took this entitlement

	2023		2022	
	Men	Women	Men	Women
With right	108	60	130	76
That took it	108	59	100	72

NB: In chapter Annexes, section Commitment and talent, tables relating to childbirth and childcare leave are reported.

Global FRC Certification

Our FRC model consolidates Naturgy's vision of work-life balance, co-responsibility, well-being and diversity as the cornerstones of our value proposition and the people strategy 360° Commitment.

The model is managed through benefits, flexibility, well-being, health and professional development measures that are adapted to the diversity of our people, according to their situation and time of life, in order to promote a balance between professional and personal life.

In this context, work-life balance at Naturgy is a commitment to co-responsibility and equal opportunities. It is to promote a pluralistic, inclusive and balanced culture. It is the constant listening to proposals of improvement actions and the recognition of our teams, as levers of well-being and also of motivation. It is acting globally in tune locally as an FRC, generating a transformative professional experience and contributing to a more egalitarian and sustainable society.

Pioneering and global

After a decade of managing the FRC model in Spain, Argentina, Brazil, Costa Rica, Dominican Republic, Mexico and Panama, Naturgy has been recognised for its pioneering vision by being the first company in the world to obtain the Global FRC seal (Family Responsible Company), certified by AENOR (according to Standard 1000/23) and awarded by the Masfamilia Foundation, accrediting policies, indicators, measures and benefits in five areas: quality in employment, time and space flexibility, support for employees' families, support for the personal and professional environment and equal opportunities.

This award was presented at the first global meeting of the FRC community, held in Madrid on 23 March (International Work-Life Balance Day). Organised by the Masfamilia Foundation in collaboration with the TOP25 certified companies, other organisations were also highlighted for their contribution and good practices in terms of work-life balance and well-being.

Management 2023

In 2023, the management of the model continued to be deployed through 365 local measures, distributed in different countries where the company operates, together with 20 global measures, all of them integrated into five action groups and defined by the Global FRC Standard 1000/23 and certified by AENOR.

Employee Care Service (SAE)

The service, implemented in Spain and Latin America, celebrated its twelfth anniversary in 2023, and has established itself as the single, centralised point of contact for employees with the organisation and the backbone of the communication campaigns or actions launched by the different People and Organisation teams.

The SAE has a multi-channel approach, thanks to its online platform (saeonline), which provides personalised attention and is accessible from any device in order to promote and facilitate its use. From the point of view of its functional scope, it covers both the core processes of the People and Organisation function (personnel and payroll administration, HR, prevention, health, training, talent, culture, organisation, media, medical services, security, etc.) and other transversal processes (customer service, Naturgy Foundation, internal communication, etc.) with the aim of accompanying the People Oriented strategy defined by the People and Organisation Management (P&O).

In 2023, it has continued to increase and develop the integrated service offering in the channel portfolio. If until now the SAE had a strategic role in improving the experience of our employees, the service is a clear example of how a change in the analytical model's approach can become the real lever of transformation.

In coordination with the VIP & Premium Customer Service unit, a transformation and simplification of the "My Employee Channel" (employees as customers) service catalogue has been undertaken, also restructuring the external teams of resolution groups and monitoring and integrating all phases of resolution with an employee-customer vision. The results have been excellent in terms of reduced average operating times (6.97 working days in 2023, almost 5 days less on average than in 2022) and a significant improvement in NPS (58.86 %, nine points higher than in the previous year). The results are even more convincing and encouraging if we refer to the "Family & Friends" service, where the NPS stands

at 76.61%. During 2023 more than 2,000 customers in our employees' environment channelled their customer needs through an internal employee, demonstrating that Naturgy employees have a tangible and growing commitment to the external sponsorship and promotion of our products and services.

Likewise, following the digitalisation strategy of the People and Organisation function, the service itself has evolved the analytical monitoring scheme of indicators and service level agreements through a Power Bi Service online tool on a weekly and periodic basis. In turn, it has been extended to the entire coordinated action network of resolution groups in the different businesses/countries, promoting the monitoring of all processes and the detection of areas for improvement.

Currently, SAE's Net Promoter Score (NPS) is 56.34%, more than 60,505 requests from employees have been answered and 93.12% of them have been resolved within the deadline.

Internal communication

In line with Naturgy's commitment to information, consultation and participation, any change that affects or which could affect labour relations is passed on to the social agents in full compliance with the deadlines established in prevailing legislation. Likewise, Naturgy has permanent open channels for the resolution of doubts and the transfer of information, beyond the established formal channels.

During 2023, Naturgy's internal communication model strengthened its role as a fundamental lever of transparency and cohesion among all teams, while promoting organisational alignment, continuing the evolution of online actions and supports, accompanied by a complete programme of face-to-face-offline actions, also opting for roaming to facilitate the participation of teams in other geographies. In this respect, the more than 30 transversal face-to-face meetings held in 2023 in around ten Spanish cities, with the participation of more than 3,000 face-to-face participants, stand out.

During the year, around fifty meetings have been held between employees and the company's management, where those attending have received first-hand key messages from the company, having the opportunity to express their concerns and opinions at each level. These meetings have addressed current issues: energy prices, biomethane or the role of combined-cycle power stations in the Spanish energy system, as well as company results and AI in the energy sector.

Regarding the virtual media used, in February 2023 Naturgy launched the television channel NaturgyTV, publishing almost 200 videos with more than 50,000 views. The company has also bolstered its channels for communication with its employees: Naturgynews (Naturgy's digital newspaper), Naturgynet (corporate intranet), or Teams and its specific tool NaturgyTeams, deployed at the end of 2021 and which communicates in pop-up format information of special relevance at a simple click. Through this tool, actions such as "Flex & Connected" were implemented in 2023 to facilitate relations in the context of teleworking or the programme of informative actions associated with the company's 180th anniversary, celebrated this year.

In a complementary manner, some businesses have their own internal communication channels, where corporate messages and topics are reinforced from a local perspective.

All this has enabled the implementation of new programmes that promote progress in the company's strategic lines and cultural transformation, through the communication of organisational, business, sector and project milestones.

Our team

At the end of the 2023 financial year, Naturgy's human team was located in: Europe, Asia, America and Oceania.

Number of employees by country

	2023	2022
Argentina	880	954
Australia	34	26
Brazil	347	372
Chile	567	601
Costa Rica	16	19
Spain ⁽¹⁾	3,934	3,901
USA	10	4
France	2	3
Ireland	3	3
Israel	18	16
Italy	2	2
Luxembourg	1	1
Mexico	697	694
Netherlands	1	1
Panama	286	297
Portugal	13	13
Puerto Rico	2	3
Dominican Rep.	70	72
Total ⁽²⁾	6,883	6,982

⁽¹⁾ Consolidated staff 2023 Spain: 4,061 = 3,934 managed staff + 148 people in Spain from companies consolidated by the equity method - 21 people from coal-fired power stations.

⁽²⁾ Consolidated staff 2023 Group: 7,010 = 6,883 managed staff + 148 people in Spain from companies consolidated by the equity method - 21 people from coal-fired power stations.

Distribution of employees by age and country (%)

	2023			2022		
	<30	30-50	>50	<30	30-50	>50
Argentina	3.2	50.5	46.4	3.7	49.2	47.2
Australia	5.9	79.4	14.7	7.7	80.8	11.5
Brazil	2.3	76.9	20.7	2.2	78.2	19.6
Chile	1.1	59.8	39.2	2.2	62.6	35.3
Costa Rica	12.5	62.5	25.0	15.8	52.6	31.6
Spain	6.8	65.1	28.1	5.2	70.7	24.1
USA	0.0	70.0	30.0	0.0	75.0	25.0
France	50.0	50.0	0.0	66.7	33.3	0.0
Ireland	0.0	33.3	66.7	0.0	33.3	66.7
Israel	11.1	72.2	16.7	25.0	62.5	12.5
Italy	0.0	100.0	0.0	0.0	100.0	0.0
Luxembourg	0.0	0.0	100.0	0.0	0.0	100.0
Mexico	8.3	77.3	14.3	6.1	80.5	13.4
Netherlands	0.0	100.0	0.0	100.0	0.0	0.0
Panama	9.8	70.6	19.6	10.4	67.7	21.9
Portugal	0.0	92.3	7.7	0.0	92.3	7.7
Puerto Rico	0.0	50.0	50.0	0.0	66.7	33.3
Dominican Rep.	0.0	62.9	37.1	1.4	66.7	31.9
Total	5.9	65.0	29.2	4.9	68.2	26.8

Distribution of employees by country, gender and professional category (%)

	2023							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	0.3	0.0	4.1	1.1	25.6	12.4	43.6	12.8
Australia	0.0	0.0	11.8	11.8	61.8	14.7	0.0	0.0
Brazil	0.0	0.9	5.8	3.5	37.8	26.5	17.3	8.4
Chile	0.4	0.0	4.6	1.8	39.0	16.9	24.3	13.1
Costa Rica	0.0	0.0	0.0	0.0	75.0	0.0	25.0	0.0
Spain	1.7	0.6	8.6	4.9	37.3	28.0	15.2	3.7
USA	0.0	0.0	50.0	10.0	30.0	10.0	0.0	0.0
France	0.0	0.0	50.0	0.0	50.0	0.0	0.0	0.0
Ireland	0.0	0.0	33.3	0.0	33.3	33.3	0.0	0.0
Israel	0.0	0.0	0.0	0.0	88.9	11.1	0.0	0.0
Italy	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Mexico	0.4	0.0	7.0	2.7	45.8	23.7	18.1	2.3
Netherlands	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Panama	0.3	0.0	7.7	4.5	37.1	28.7	16.1	5.6
Portugal	0.0	0.0	0.0	7.7	23.1	69.2	0.0	0.0
Puerto Rico	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0
Dominican Rep.	0.0	0.0	0.0	0.0	24.3	18.6	54.3	2.9
Total	1.1	0.4	7.3	3.8	37.0	24.4	20.2	5.8

	2022							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	0.2	0.0	4.4	1.2	25.2	11.6	44.0	13.4
Australia	0.0	0.0	19.2	7.7	61.5	11.5	0.0	0.0
Brazil	0.0	0.8	5.4	3.5	36.8	26.9	17.7	8.9
Chile	0.3	0.0	4.5	0.8	36.4	16.3	27.8	13.8
Costa Rica	0.0	0.0	0.0	0.0	73.7	5.3	21.1	0.0
Spain	1.7	0.6	8.8	4.5	36.2	26.0	17.2	4.9
USA	0.0	0.0	75.0	25.0	0.0	0.0	0.0	0.0
France	0.0	0.0	33.3	0.0	33.3	33.3	0.0	0.0
Ireland	0.0	0.0	33.3	0.0	33.3	33.3	0.0	0.0
Israel	0.0	0.0	0.0	0.0	93.8	6.3	0.0	0.0
Italy	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Mexico	0.4	0.0	7.3	3.0	47.3	20.9	19.2	1.9
Netherlands	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Panama	0.3	0.0	8.1	4.0	38.7	27.3	16.8	4.7
Portugal	0.0	0.0	0.0	7.7	30.8	61.5	0.0	0.0
Puerto Rico	0.0	0.0	0.0	0.0	66.7	33.3	0.0	0.0
Dominican Rep.	0.0	0.0	0.0	0.0	23.6	19.4	54.2	2.8
Total	1.1	0.4	7.5	3.4	36.1	22.7	22.2	6.6

Working methods

Breakdown of staff by contract type (%)

	2023					
	Permanent contracts		Temporary contracts		Employees by non-guaranteed hours	
	Men	Women	Men	Women	Men	Women
Argentina	73.6	26.4	0.0	0.0	0.0	0.0
Australia	73.5	26.5	0.0	0.0	0.0	0.0
Brazil	60.8	39.2	0.0	0.0	0.0	0.0
Chile	68.3	31.7	0.0	0.0	0.0	0.0
Costa Rica	100.0	0.0	0.0	0.0	0.0	0.0
Spain	62.6	36.5	0.2	0.7	0.0	0.0
USA	80.0	20.0	0.0	0.0	0.0	0.0
France	100.0	0.0	0.0	0.0	0.0	0.0
Ireland	66.7	33.3	0.0	0.0	0.0	0.0
Israel	88.9	11.1	0.0	0.0	0.0	0.0
Italy	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	100.0	0.0	0.0	0.0	0.0
Mexico	54.1	17.8	17.2	10.9	0.0	0.0
Netherlands	0.0	100.0	0.0	0.0	0.0	0.0
Panama	61.2	38.8	0.0	0.0	0.0	0.0
Portugal	23.1	76.9	0.0	0.0	0.0	0.0
Puerto Rico	100.0	0.0	0.0	0.0	0.0	0.0
Dominican Rep.	78.6	21.4	0.0	0.0	0.0	0.0
Total	63.8	32.8	1.9	1.5	0.0	0.0

NB: The number and average number of contracts and their breakdowns (age, gender and professional category) are reported in the Annexes Chapter, section Commitment and talent.

	2022					
	Permanent contracts		Temporary contracts		Employees by non-guaranteed hours	
	Men	Women	Men	Women	Men	Women
Argentina	73.8	26.2	0.0	0.0	0.0	0.0
Australia	80.8	19.2	0.0	0.0	0.0	0.0
Brazil	59.9	40.1	0.0	0.0	0.0	0.0
Chile	69.1	30.9	0.0	0.0	0.0	0.0
Costa Rica	94.7	5.3	0.0	0.0	0.0	0.0
Spain	63.5	35.0	0.5	0.9	0.0	0.0
USA	75.0	25.0	0.0	0.0	0.0	0.0
France	66.7	33.3	0.0	0.0	0.0	0.0
Ireland	66.7	33.3	0.0	0.0	0.0	0.0
Israel	93.8	6.3	0.0	0.0	0.0	0.0
Italy	100.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	100.0	0.0	0.0	0.0	0.0
Mexico	56.9	18.0	17.3	7.8	0.0	0.0
Netherlands	0.0	100.0	0.0	0.0	0.0	0.0
Panama	64.0	36.0	0.0	0.0	0.0	0.0
Portugal	30.8	69.2	0.0	0.0	0.0	0.0
Puerto Rico	66.7	33.3	0.0	0.0	0.0	0.0
Dominican Rep.	77.8	22.2	0.0	0.0	0.0	0.0
Total	64.9	31.8	2.0	1.3	0.0	0.0

Naturgy is committed to promoting a safe and quality work environment. Consistent with this vision, 96.6% of the contracts are permanent, and only occasionally are temporary contracts used for “accumulation of tasks and work/service”. Similarly, 100% of Naturgy’s employees have full-time contracts.

New employee hires and employee rotation

Consideration is given to:

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

Rotation indices

	2023	2022
Rotation (%)	5.0	8.0
Voluntary rotation (%)	1.9	2.0

Rotation (%): total number of layoffs/average staff managed.

Rotation (%): total number of layoffs/average staff managed.

NB: The breakdown of rotations by gender, country and professional category is reported in chapter Annexes, section Commitment and talent.



New employees hires

	2023	2022
Argentina	6	8
Australia	12	9
Brazil	8	16
Chile	19	25
Costa Rica	0	5
Spain	138	158
USA	4	1
France	0	3
Ireland	0	1
Israel	7	2
Italy	0	0
Luxembourg	0	0
Mexico	44	50
Netherlands	0	0
Panama	11	27
Portugal	0	0
Puerto Rico	0	0
Dominican Rep.	0	0
Total	249	305

NB: The breakdown of new employee hires and vacant posts filled by internal applications are reported in chapter Annexes, section Commitment and talent.

Number of dismissals by age and gender

	2023				2022			
	<30	30-50	>50	Total	<30	30-50	>50	Total
Men	3	12	14	29	2	50	51	103
Women	3	12	7	22	2	22	10	34
Total	6	24	21	51	4	72	61	137

NB: The breakdown by gender and professional category is reported in chapter Annexes, section Commitment and talent.

Labour relations

Labour relations in Naturgy are based on principles of fairness, safety and health and respect for all the people who make up the company, freedom of association, fundamental rights, workers' representatives and collective bargaining.

Naturgy fosters an environment in which workers participate actively, and to this end promotes multiple channels of communication with them and with workers' representatives as a substantial part of the corporate principles of action. The Naturgy Group's 3rd Collective Bargaining Agreement, signed on 14 October 2022, reinforces these channels, establishing and articulating different committees and forums for discussion to deal with the different aspects that have an impact on labour relations. The signing of this 3rd Agreement has also led to a substantial improvement in measures to reconcile work and family life and to make labour relations more flexible, with the establishment of measures to make working hours more flexible and the introduction of teleworking as examples.

The working conditions of staff excluded from the collective bargaining agreement are based on individual agreements reached with each employee and are set out in their individual contracts. In addition, there is a specific document on the company's intranet called "Compilation of conditions for excluded staff" which sets out the conditions common to the entire group.

In achieving health and safety goals, collaborative work across the organisation is essential to improve activities, processes and achieve optimal results. For this reason, the consultation and participation of employees is key in the regular health and safety meetings held in all areas of the company in order to establish, maintain and implement improvement processes.

The main issues formally discussed with the workers' representatives during 2023 are summarised as follows:

- › Integrated health and safety plan
- › Health and safety commitment.
- › Analysis of accidents.
- › Review of health and safety regulations.
- › New Health and Safety Regulations.
- › Meetings on labour measures and integrated health.
- › Quarterly monitoring of preventive measures adopted.
- › Negotiation of Naturgy's Equality Plan.
- › Negotiation of the Protocol on Sexual Harassment and/or Gender-based Harassment.
- › Launch of the regular Professional Development Programme.
- › Launch of specific Professional Development Programmes.
- › Naturgy's Equality Plan Follow-up Meetings.
- › Meetings to monitor the Collective Bargaining Agreement and interpretative agreements.
- › Follow-up meetings on the implementation of the new Distribution Control Centre model.
- › Meetings and agreements Electoral Commission.
- › Joint approval of the Rules of Procedure for the internal functioning of the Health and Safety Committees.

- ▶ Global health and safety plan 2024-2025.
- ▶ Revision of the risk assessment methodology by including a gender perspective and reinforcing psychosocial aspects.
- ▶ Analysis meetings for the establishment of measures to address possible psychosocial risks.
- ▶ Quarterly monitoring of accidents and preventive health and safety measures.

In line with Naturgy's commitment to information, consultation and participation, any change that affects or which could affect labour relations is passed on to the social agents in full compliance with the deadlines and guarantees established in prevailing legislation. Likewise, Naturgy has permanent open channels for the resolution of doubts and the transfer of information, beyond the established formal channels.

Employees included and not included in the bargaining agreement (%)

	2023		2022	
	Not included in agreement	Included in agreement	Not included in agreement	Included in agreement
Argentina	28.6	71.4	27.4	72.6
Australia	100.0	0.0	38.5	61.5
Brazil	29.1	70.9	29.3	70.7
Chile	3.5	96.5	1.7	98.3
Costa Rica	6.3	93.8	5.3	94.7
Spain	38.3	61.7	37.2	62.8
USA	100.0	0.0	100.0	0.0
France	100.0	0.0	100.0	0.0
Ireland	100.0	0.0	100.0	0.0
Israel	100.0	0.0	0.0	100.0
Italy	100.0	0.0	100.0	0.0
Luxembourg	100.0	0.0	0.0	100.0
Mexico	14.5	85.5	19.7	80.3
Netherlands	0.0	100.0	0.0	100.0
Panama	57.3	42.7	55.6	44.4
Portugal	0.0	100.0	0.0	100.0
Puerto Rico	100.0	0.0	100.0	0.0
Dominican Rep.	2.9	97.1	2.8	97.2
Total	32.2	67.8	31.0	69.0

Talent management and retention

Naturgy's Business Plan through to 2025 establishes continuous improvement, operational excellence, digital transformation and improved customer relations as strategic axes, prioritising in all of them the experience of professionals as the key to achieving these objectives.

In this context, our "360 Commitment" People Strategy puts people at the heart of decision-making and actions, with professionals at the centre of all of these.

Through Naturgy's talent management model, this growth is driven by a continuous and evolutionary process, which begins with assessment, segmentation and talent development processes, through dynamic processes that promote exponential value for talent.

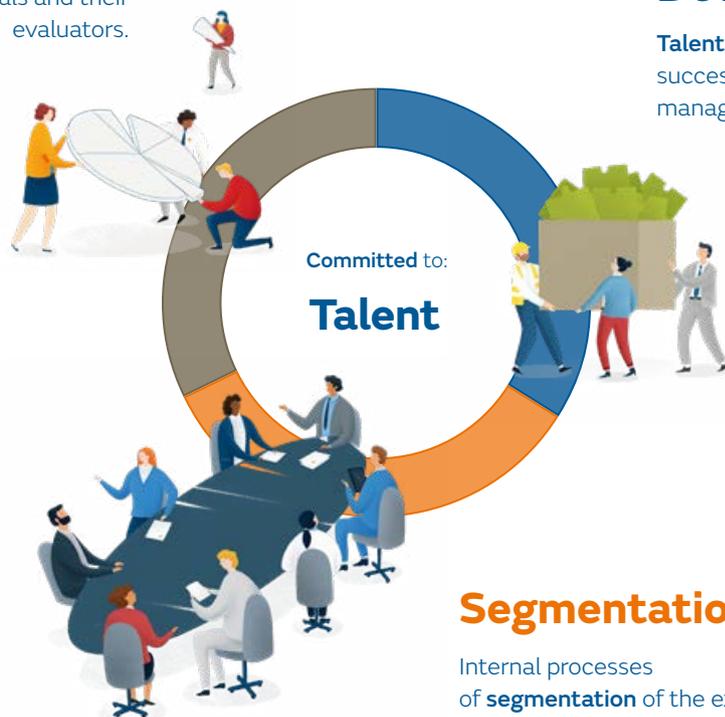
Assessment

Assessment processes, involving professionals and their evaluators.

corporate
university

Development

Talent development, succession and acceleration management processes.



Segmentation

Internal processes of **segmentation** of the executive and management team.

During 2023, the expert interview processes (internal and external) have continued, allowing the Group's executive and management development profile to be updated, reviewed and oriented, encouraging feedback conversations and direct contrast with each professional, regarding leadership competencies, motivation drivers and career development interests. A total of 284 interviews were conducted during the past year

Under the claim “Committed to Talent”, this period has seen the completion of the 360 Assessment process launched in 2022 where, through a self-assessment and the assessment of the professional environment (manager, peers and collaborators), Naturgy professionals can have a personalised assessment of their skills, as well as identifying strengths and areas for improvement. This process, with a focus on professional growth, is carried out every two years and promotes continuous feedback during this period for the setting, monitoring and progress of the Annual Development Objectives (ADG).

Specifically, this year the assessment involved 1,773 professionals evaluated globally, with the participation of 3,791 evaluators and 16,750 feedback questionnaires completed.

After this phase, the development process continues through the “Feedback Moment” in which each manager, on the basis of the development reports obtained from the assessment, shares the results individually with their team, in order to deepen, exchange visions and discuss development objectives and actions, with a two-year horizon.

In this context, the 360 Assessment in Naturgy is completed with the identification and setting of an Annual Development Goal (ADG) in line with the competences of Naturgy’s leadership model, representing a valuable professional opportunity for reflection and awareness of growth and development.

With this diagnosis, and through the Transformational Leadership Academy, a series of training journeys are deployed, both transversal and “tailored” to individual needs, to drive and promote work in the areas identified for improvement.

After setting the ADG, segmentation and calibration is triggered, based on the achievement of results in terms of objectives (What) versus the quality of results in terms of behaviours (How), which activates the third lever of the Talent Model, development, focusing on talent management and acceleration processes.

This integrated view of the process makes it possible to ensure the filling of vacancies and to work on the succession of key positions in the organisation.

Attracting and developing diverse talent

Naturgy has the Flex & Lead programme, focused on hiring young people with or without work experience. This initiative aims to advance in the intergenerational and gender balance in the company, in line with Naturgy’s strategic business and sustainability targets.

Specifically, and through the set of initiatives integrated in Flex & Lead, Naturgy promotes the achievement of the following targets with a 2025 horizon:

- ▶ 40% female presence at the executive and management levels of the company in Spain (starting from 23% in 2020).
- ▶ 10% staff < 30 years of age (starting from 2.3% in 2020).

The recruitment target by 2025 is 332 young people with a STEM profile marked by agility, flexibility and collaboration, with digital skills and a data-oriented mindset.

The target for hiring women through the Flex programme (which specifically targets young professionals with no previous experience) is 60%, and in the case of Lead (which connects young people with some professional experience) it is 70%.

The experience of new talent includes participation in major projects, internal mobility between business areas and participation in career acceleration processes.

We currently have a staff of 268 young people who have joined the different Naturgy businesses and units since the start of the programme. Of this total, 116 new recruits were recruited in 2023, with an average age of 25 years and 81% women.

The monitoring of progress and compliance with the contracting objectives of both programmes is carried out by Naturgy's Management Committee, to which a scorecard formed by all the businesses and corporate areas reports. These indicators are also reported to the Board's Sustainability Committee, in accordance with the commitments made in the Sustainability Plan.

Flex & Lead recruitment professional profiles

	2023	2022
Business Administration/Law	18	15
Data Science	7	9
Industrial/Energy	68	59
Marketing	2	2
Other	21	15

	2023				
	Participants	Men (%)	Women (%)	No. of actions	Total hours
Flex	172	24	76	545	16,666
Flex & Lead	42	29	71	238	2,261
Lead	49	18	82	350	3,540

NB: In 2023, there has been no specific programme for the Flex & Lead collective. The data shown reflect the participation of people in different formations.
 The number of actions corresponds to the total number of courses completed by each of the groups and the total number of hours completed in the training activity carried out by them in 2023, without repetition.

Development of internal talent

The organisational model and the talent model promote professional development in line with Naturgy's business plan, based on transversal management and at the same time segmented by business units, with initiatives that adapt to the reality and specific requirements of each one, according to their own objectives and groups.

In this context, during 2023, various development initiatives have been deployed in Naturgy's businesses, among which the following stand out:

Impulsa Programme: developing our talent

This initiative deployed in the electricity grid business in Spain, UFD, seeks to identify non-managerial profiles with high potential for development in the company, with the aim of evolving the maturity of management skills, based on Naturgy's leadership model, and promoting their internal development.

This programme, which began in 2023, has a group of 45 people, with heterogeneous profiles and experience. The participants have taken part in different training and development actions, which are set to continue in 2024.

Management and technical development

With a vision of synergies, the Renewable Energy, New Businesses and Innovation business has promoted development initiatives aimed at the management and technical teams of the wind, photovoltaic and hydropower operations areas, with the aim of aligning and transferring greater responsibility in their areas of expertise and influence. In the case of management, it has meant working on personal and professional skills and competences, with a focus on communication, assertiveness, empathic skills, active listening and teamwork and leadership skills. For the technical teams, this initiative has involved transferring what they have worked on with the managers and accompanying them with mentoring processes.

“Today you participate”

It is an initiative driven by the Wholesale Markets and Procurement business to boost the development of its management talent.

Specifically, it consists of the weekly presentation to the business' Management Committee of relevant and impactful projects being developed by this talent. This initiative gives visibility to internal talent, promoting their recognition, networking, as well as their presentation and leadership skills. It also seeks to strengthen the connection of the Wholesale Markets and Procurement Management Committee with the work and vision of its teams.

BKAM Programme

This initiative of direct focus on business goals, launched by Naturgy's marketer, aims to evolve the profile of Manager to Key Account Manager in order to achieve greater influence in the collaborating companies and improve their performance. During 2023, it has had 91 participants in hybrid training experiences, with concrete impact of 106 account plans, and 118 collaborating companies managed with a new simulator.

“Complex Conversations for People Management”

This initiative implemented in gas networks in Spain, NEDGIA, consists of practical workshops based on experience, where key aspects of people management are reinforced through constructive conversations and feedback, generating an environment of trust and improvement among the teams.

The aim of these workshops is to strengthen leadership by working along the following lines:

- › Generate autonomy and empowerment.
- › Address and manage conflict situations
- › Be aware of the importance of commitment.

- › Teach your teams to ask themselves questions in order to find solutions.
- › Don't be afraid to make mistakes A mistake is a learning process.
- › Believe in the need for feedback.

Operational Specialists

Sponsored by Naturgy's Conventional Generation business in Spain, this initiative is focused on Combined-Cycle Power Station Operating Technicians, to develop their functions as Operational Specialists, through a 6-month training course of upskilling and reskilling, to exercise functions of greater value and qualification, favouring greater employability, in other functions inside and outside the business, impacting directly on their development and motivation.

Training model

At Naturgy, the training of professionals is one of the strategic levers for transformation and development in the company. Specifically, the Corporate University (CU) has positioned itself as the representative and backbone element of the training experience in Naturgy through the development of key knowledge, the connection with the latest trends and technologies as well as the development of skills and competencies linked to the leadership and cultural models of the company.

In recent years, the CU has strengthened its role of transversal governance and management, while simultaneously giving greater autonomy to the different businesses, giving them increasing responsibility in the definition and execution of their training plans and budgets, according to the particular requirements of each one.

The synchronicity between the Corporate University and the Global Training Policy is guaranteed through periodic monitoring committees, where visions, proposals and practices are exchanged, facilitating the influence and integration of training into key processes.

Corporate University

Corporate University's indicators

	2023	2022
Annual investment in training (million euro)	4.7	3.8
Annual investment in training per person (euro)	730	588
Training hours	265,465	232,445
Number training hours/employee	41.5	35.9
Staff trained (%)	97.7	97.3

Satisfaction

	2023	2022
Satisfaction surveys answered	49,262	46,413
Participants' average satisfaction (0-10)	8.8	8.7
Average degree of application of knowledge and on-the-job skills (%)	80.7	74.4
No. of programmes with assessment of application (courses)	194	172
Average perception index (0-10)	8.3	8.2

NB: the measurement model is not implemented in Chile.

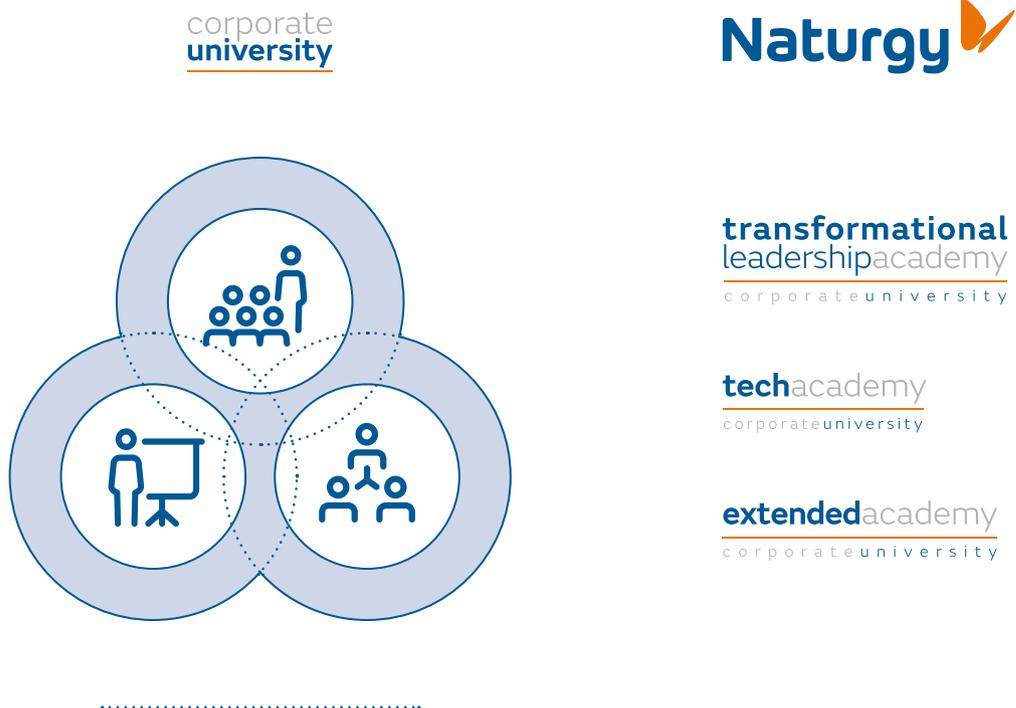
Staff trained (%)

	2023				2022			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Men	92.1	97.5	97.7	96.8	97.3	99.6	97.7	95.6
Women	96.3	97.7	98.6	98.5	98.4	98.9	97.8	95.3
Total	93.2	97.6	98.0	97.2	97.7	99.5	97.8	95.6

NB: The breakdown of training hours per age and professional category is reported in Annexes Chapter, section Commitment and talent.

At Naturgy, **the training of professionals is one of the strategic levers** for transformation and development in the company.

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



Transformational Leadership Academy (TLA)

Based on a vision of the future and linked to Naturgy's Strategic Plan, in 2023 the TLA has continued its training deployment to ensure the leading role of company leaders in the transformation and achievement of business objectives, through its four axes:

- › **Digital Academy:** its objective is to transform the professional profile in Naturgy towards more digital employees.
- › **New Energy:** its vision is to develop managers and high potentials to face future challenges and be aware of market trends.
- › **Naturgy Leadership:** with the aim of promoting the role of leadership as drivers and connectors of organisational and cultural change in the company.
- › **Happiness Academy:** with the aim of promoting motivation and well-being with a holistic vision. This is the new academy created in 2023 that promotes training in aspects and dimensions that affect people's happiness. It integrates existing training content with new offerings linked to the promotion of health and physical, mental and emotional balance, through transformative experiences, inspiring talks and the promotion of healthy leadership and psychological safety.

Tech Academy (TA)

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

Extended Academy (EA)

Through this academy, the CU offers a wide range of training to external collaborating companies, customers and suppliers, both technical as well as management, enabling companies to improve their operating efficiency, incorporate innovative methodologies and develop skills focused on excellence in operations and service.

The EA thus contributes to the establishment of a common planning and management model, favouring the professionalisation of companies that participate in the Naturgy value chain, with a recurrent activity of 14,945 annual participants and 37,468 hours of training.

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

Training catalogue

In 2023, the learning culture has been fostered by promoting external and internal social networks, collaborative tools and innovating in resources and methodologies. All of this is aimed at generating collective and diverse talent, different learning ecosystems and dynamic training resources.

On the other hand, transformation and change processes have been proposed that are implemented in the environment and culture and applied through the development of new skills to ensure the sustainability and diversity of the company, learnability, critical thinking and assertiveness. The Corporate University promotes a new leadership concept, a digital, exponential leader who can influence and manage complex environments.

The training and learning that is developed is of great value to business. While incorporating reskilling and upskilling actions, criteria of efficiency, cost optimisation and technological adaptation are used.

The Corporate University portfolio is flexible and adaptable to the needs of the environment and the Group's strategic goals, and is directly linked to the leadership model and culture. Regular coordination meetings with all businesses and countries articulate the activity efficiently.

The application of the training and development policy means that all professionals have access to a suitable range of training and access to it to enable them to make the most of the training activities. The model aims at empowering professionals, on-the-job performance and the relationship with their managers in the training process.

This year's programmes have been organised in the following areas:

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

- › **Transformation and entrepreneurship:** "The Third Energy", "Innovation Week" and intra-entrepreneurship programme with Junior Achievement.

- › **Well-being:** “Naturgy Leader Wellbeing”, workshops on psychosocial risks, mindfulness programmes, cohesion actions to raise awareness on self-leadership and teamwork, and awareness-raising webinars on well-being issues.
- › **Happiness:** “Happiness Week”, “The Sense Revolution”, “El Gefe” (happiness management), webinars and pills on this topic. In 2023, the new TLA school called “Happiness Academy” came into operation and is expected to grow in size in the coming years.
- › **Sustainability:** “Carbon Footprint and Climate Change”, “Decarbonisation and Sustainability Congress”, “Corporate Sustainability Certification” and “Energy Storage and Green Transition”. In addition, a new cross-cutting pill is being developed to assist and support the entire organisation.
- › **Diversity:** “Inclusive Language”, “Prejudices, stereotypes and unconscious biases and their impact on the workplace”, “Intergenerational Leadership”, “Women’s Week” and “STEAM Women’s Community”.
- › **Compliance:** “Crime Prevention Model” general course, reskilling programmes such as the “Internet as a means of investigation course” and “Training on Compliance Risks in marketing activity and controls to mitigate them”. Seminars such as the “2nd International Technical Forum on Compliance 2023” and “Complex Legal Structures”.
- › **Innovation:** “Connecting Energy” training, “Disrupt” programme, the “Agora Talks”, and “Innovation Week” with different webinars and pills. Agile methodology is also facilitated through Scrum actions and certifications.
- › **Cybersecurity:** New Cybersecurity 2.0 course offering practical learning about the cyber-attacks that have the greatest impact on an organisation. Awareness-raising webinars on topics such as “CEO fraud” or “Antiphishing” were also held.
- › **Communication:** “Communication Skills”, “Captive Club”, “Elevator Pitch” and “Impact Communication”.

Programmes to boost the company’s professionals digital profile:

- › **Digital Culture:** Courses on OneDrive, Teams and SharePoint, Digital Marketing skills, AI training such as the “PersonIA Project”.
- › **Digital skills:** “Data Programs”, programming language such as Python, SQL or Visual Basic, and other tools such as Power Apps, Power Automate, Power BI, as well as training oriented to reskilling (B-Digital, Pyspark, support sessions to work on real projects based on MS technologies, the “NAPAI Project” and the “Data Business Owner STEAM women” programs). This year the Group has started the digitalisation processes on the AI world with the “AI Framework & Governance”. Through the Coursera platform, knowledge related to Cloud, Big Data and Machine Learning has been made available to professionals. In total 16,187 hours have been completed with 452 unique participants in Digital Skills by the end of 2023.
- › **Digital Mindset:** High-impact distance learning programmes that address the digital transformation processes of business models in the energy sector such as “Digital Mindset”, “Internet as a means of research” and “Transformation for the digital age”. In total 551 hours have been completed with 52 unique participants in Digital Mindset by the end of 2023.
- › **Programmes** that outline future challenges, market trends and the development and projection of young talent.

Leadership promotion programmes, as a lever for the group's transformation and vision.

- › **All you need is Grow (ANG):** To boost vision and strategic thinking, develop leadership skills and enhance managers' personal network of contacts.
- › **FutuHRe Management Insights:** It promotes reflection and sharing in order to build a common reality.
- › **Exclusive and specific development programmes for managers with top business schools:** IMD, London Business School, IESE, ESADE.
- › **Leading in Complexity:** It aims to help develop leaders who are able to think systematically and question the boundaries, forms, connections and meaning of their organisations, their teams and themselves.
- › **Leading to Excellence:** Aimed at training persuasive communication skills, dealing effectively with difficult situations, acquiring tools for proper time management and improving productivity.
- › **Visible Leaders:** Aimed at female and inclusive leadership, with training focused on the challenges of communication, such as Impact Communication, Personal Development and Communication Skills Circuits.
- › **Mentoring Programme:** It fosters an internal leadership culture that is committed to developing talent at all levels of the organisation. 13 trainings such as "Growing Talent", "Mentoring Change Riders" or "Mentoring Club and Mentor Day" are carried out. Mentoring interviews are monitored and supervised and training support is provided to both mentors and mentees.
- › **Coaching:** reflective coaching processes to maximise potential and achieve personal and professional goals with the Escuela Europea de Coaching and Humaniza, as well as online coaching actions through the CoachHub platform.
- › **Women's empowerment management programmes** such as "Promociona", "Progresa" and "Proactiva".

Programmes to connect with trends and the environment

Throughout 2023, different training actions have been carried out in which 2,055 unique participants have participated with a total of 18,476 hours, in order to develop new skills that allow professionals, including new recruits, to be up to date with trends and thus be able to face and achieve new challenges:

- › **RefresH:** Programme focused on providing corporate and business teams with up-to-date general competencies in the main areas of HR knowledge.
- › **Naturgy Leadership Toolbox:** Programme to adapt the leadership style to the needs and demands of the moment and align the skills and competencies of the managers with corporate culture.
- › **The Power MBA:** A learning platform that provides 10 programmes on different topics that will help to hone negotiation skills and put them into practice.
- › **Productivity:** Training aimed at improving productivity through a process based on the CALMA model that allows for the appropriate management of emotions and time.
- › **Seijaku:** Programme to understand and value positions and processes different from one's own, to be able to modify one's own approach and promote change, anticipating from the strength of purpose.

- › **Flex & Lead days:** Two-day face-to-face sessions for new recruits so that they can find out what the Group's businesses do and how to interact with other professionals.
- › **My personal Brand:** Programme to boost the growth of young internal talent, helping them to develop a personal brand in line with their projection.
- › **Learnability Experience:** Programme created to facilitate learning experiences that promote the growth of Naturgy's people, using a different approach.
- › **Pharos:** It is a lifelong learning platform, for continuous training with a total of 30 different areas, each of which incorporates over 20 courses.

Awards

In 2023, Naturgy was the only Spanish company recognised for best practices in corporate learning by the Global CCU Awards (Global Council of Corporate Universities).

These awards, given by a prestigious professional network of corporate learning organisations, recognise corporate universities that contribute to creating strategic value-added for the business of companies, their professionals and society.

Specifically, the company has received the Gold award, the highest distinction in the category of Social Impact and Climate Change, which means its inclusion in the world vanguard in sustainability training, thanks to the innovation and transversality of the training deployment in this field.

As a result of this distinction, the company has been invited to participate in the Community of Good Practices of the same organisation, where corporate universities from all over the world meet to share experiences, programmes, challenges and learning, with a focus on improvement and excellence.

Quality certifications in training

The excellence in management of the Corporate University is supported by a Quality Management System based on ISO 9001:2015, renewed in 2020 for another three years. Likewise, since 2003 and up to this day, Naturgy has also had the CLIP (Corporate Learning Improvement Process) accreditation, awarded by the European Foundation for Management Development (EFMD), which recognises the quality of learning and people development processes in business education organisations. During 2024, the company is expected to renew this certification for another five years.

People Analytics

In 2023, the methodological strategy implemented by the People Analytics unit during 2022 for the processing of information in the area of People and Organisation (P&O) has crystallised in a series of tangible products. Initially launched as Minimum Viable Products (MVP), they are now consolidated as levers of transformation and digitalisation, regularly used to support and collaborate with other business/corporate units in their own transformation projects:

- › Monthly list of Naturgy's staff and monthly lists of employees joining and leaving. Its digitalisation and automation has allowed greater speed in the integration of information, but above all, it has consolidated the transformation of the data-generating process, giving rise to the principle of "single data". In addition, criteria have been defined for the reconstruction of historical staff lists, allowing teams to access information up to December 2017 through PowerBi.
- › Tool for the preparation of the Monthly Staff Report (MSR), the automation of which provides great value both in terms of time savings in its preparation and the guarantee and traceability it offers in formal audit processes.
- › Balanced Scorecard of the People and Organisation function. Functionally, it automatically collects and integrates the most relevant information from all People and Organisation processes.
- › Development of a weekly analytical monitoring scheme for the Employee Assistance Service (EAS) in Power BI. The system is now in place for all countries and is a key element to support many of the decisions taken in the different monitoring committees. The great value-added is that it has put an end to the traffic of e-mails with manually processed information. The focus is now on a single, synchronised, weekly information system, easily accessible through the PBI.
- › Tool for the monitoring and control of digital certificates issued by the Telematic Management Support Office (OSGT). It is already in place and has different levels of access depending on the users' responsibility in the process.

Within the Organisation, Transformation and Procurement unit, a digitalisation and transformation team has been created and has established itself as an essential lever for the automation of processes and the transition to a data-driven decision-making culture. Its role is to support, collaborate and transfer knowledge to the responsible units, enabling them to make more informed and effective decisions. This, in turn, leads to greater cost-effectiveness and efficiency throughout the process.

Compensation and remuneration

Breakdown of personnel costs (€M)

	2023	2022
Wages and salaries	452	451
Compensation for cessation	26	24
Social Security costs	94	87
Defined contribution plans	27	24
Defined benefit plans	3	4
Share-based compensation	5	7
Work carried out for the company's fixed assets	(79)	(74)
Other	52	24
Total	580	547

Reward

The pay and reward strategy is comprehensive, fair and competitive, governed by common principles born from business. Naturgy understands that in order to achieve its business objectives, people are a differential and key factor within the strategy. Remuneration and rewards are therefore management and investment tools for business success, framed within a broad and comprehensive value proposition for the company's employees.

Within this framework, the company has defined the following reward philosophy:

- › Support the strategic business challenges, through excellence and quality of products and services through the people who work at Naturgy.
- › Have highly qualified and professional people, who work as a committed team with a clear focus on business objectives.
- › Recognise especially those people who make a unique contribution to the achievement of business objectives, the loyalty of key profiles and the attraction of new skills.
- › Contribute to the development, recognition and reward to ensure talent attraction and retention
- › Work to differentiate itself in the market as a company committed to effective people management.

In turn, the management principles underpinning the reward are a set of common rules and fundamentals that must be adhered to regardless of segment, group, geographic location, financial year or any other variable not explicitly stated in them. Any programme, policy, procedure, tool, negotiation, etc. related to Naturgy's remuneration and reward shall be guided by the following principles:

- › Provide a clear and transparent Total Reward offer.
- › Foster a culture of performance that is results-oriented.
- › Reward according to individual contribution.
- › Recognise the different needs of different groups.
- › Reward fairly according to the contribution of the position in the company, and competitively with respect to the market.
- › Work to create a self-financing, sustainable and up-to-date reward model.

The Naturgy's reward axis aims to provide a framework for classification, remuneration, benefits and work environment, which drives and aligns professional performance with the strategy of Naturgy. In 2023, the valuation of jobs in the scope of the collective agreement has been completed as a result of the application of the new collective bargaining agreement signed in 2022.

The company's remuneration policy is governed by equality on an internal scale and competitiveness from the market point of view. In addition, there are two different remuneration models depending on whether or not they are included in the scope of application of the collective bargaining agreement.

Annual variable remuneration is based on homogeneous objectives with differentiated metrics depending on the business unit.

Metrics include:

- › Economic and financial targets.
- › ESG objectives:
 - Contacts.
 - Diversity and gender.
 - Employee satisfaction index (eNPS).
 - Environmental goals.
- › In addition, a qualitative objective based on individual contribution is assessed.

The management by objectives for management and employees not included in the collective bargaining agreement, and variable remuneration for sales agents, are methods in place at Naturgy as incentives for involvement in achieving the company's targets and a direct share in the profits.

Additionally, both the goals of the Management team and some senior managers are aligned and linked to those of the company through the long-term incentive programme (LTI). The target metric, linked to the share price, aligns the management team's contribution to value creation and the long-term interest of shareholders.

The remuneration package is supplemented with a social benefits system, which includes a pension plan and other social benefits detailed below:

- › Medical insurance.
- › Holiday home.
- › Tariff rebate.
- › Advances / Loans.
- › Study grants.
- › Life insurance.
- › Food vouchers.

In addition, it offers the possibility of personalising and deciding on an annual basis the composition of the remuneration package for all staff in Spain, according to their needs through the "Total Compensation Plan", as well as taking advantage of the tax benefits that certain products of the remuneration package offer in accordance with Spanish legislation through the "Flexible Remuneration Plan".

My Benefits Platform

Naturgy provides a unique and comprehensive solution for the management and communication of Compensation and Benefits programmes, contributing to the well-being of workers from a 360° perspective (financial, emotional, physical and social). This solution relies on technology and innovation to help employees understand, value, optimise and maximise their remuneration package by facilitating the adaptation of the package to the needs of their lives at any given moment.

Through this platform, the company makes available to employees the different options and alternatives that it offers employees as regards remuneration, encompassing the products in a single space:

- › **Total compensation plan.**
- › **Flexible remuneration plan.**
- › **Pension schemes:** Collective savings insurance for retirement, Pension Plan of the Employment System or complementary policies to the Pension Plan, as well as discounts in more than 600 online shops and 100 travel portals where you can get a refund of a % of the amount of all purchases made.
- › **Savings in Personal Insurance** (home, life, car, death, ...).
- › **“My Wellbeing and Health” space:** in which workers have access to plans, advice and programs aimed at improving health and personal well-being (monitoring and improving nutrition, receiving wellness tips, define and achieve healthy challenges, treatment monitoring, analysis, health indicators...).
- › **Health Insurance:** the platform facilitates any management with insurance entities in an agile and simple way.
- › **Time Bank:** a space that is both physical and virtual, where they can carry out daily tasks such as advisory services or support for carrying out frequent procedures. In addition, there is the “Advantages Club” (exclusive virtual space with offers) or the “easylife Space” (proximity services and product purchases).

Pension plans

In the case of Spain, the joint pension plan for Naturgy employees is a defined contribution plan for retirement and defined benefits in the event of death or incapacity whilst actively working.

The pension plan is of a mixed nature:

- › For retirement, the vested rights of each participant are used (defined contribution).
- › For risk contingencies, it is a defined-benefit plan, the coverage being underwritten by an insurance policy associated with the pension plan itself.

The plan currently has a net worth of more than Euros 521 million, which is distributed among approximately 3,945 active employees, and more than 4,872 beneficiaries and suspended participants.

At the international level, the pension plan is adapted to the particularities and needs of the countries.

In Brazil, there are two types of pension plans:

- › Gasius Pension Fund, defined benefit pension supplement plan.
- › Naturalprev, optional defined contribution pension supplement plan, employer matching employee contribution.

In Chile, a complementary benefit is offered to the benefits of the Chilean Pension System, consisting of a system of defined contribution and mixed contribution (company-worker), where the company's contributions are made according to the professional category.

In Mexico, CIJUBILA (Individual Retirement Account) is offered as a defined-contribution system complementary to the public pension, with mixed company-employee contributions.



In the case of Spain, the joint pension **plan for Naturgy employees is a defined contribution plan** for retirement and defined benefits in the event of death or incapacity whilst actively working.



Naturgy

Average remuneration by age group, gender, and professional category

The tables of average and median fixed and variable remuneration, and average and median variable remuneration by professional category and gender can be found in the annexes. These pages show the fixed remuneration by professional category and the existing pay gap. All remuneration indicators are expressed in euros. The data reflect the situation at 31/12/2023 in annual terms.

Distribution of employees by country, gender and professional category (%)

	2023			
	Executives	Middle management	Specialists	Operational staff
Argentina	105,804	47,703	18,009	12,040
Australia	0	101,229	74,781	0
Brazil	143,041	55,369	25,147	17,581
Chile	186,666	115,164	39,262	20,695
Costa Rica	0	0	21,579	14,003
Spain	221,035	85,689	53,054	40,948
USA	0	147,579	223,562	0
France	0			0
Ireland	0			0
Israel	0	0	38,659	0
Italy	0		0	0
Luxembourg	0	0		0
Mexico	163,909	60,880	23,347	9,683
Netherlands	0	0		0
Panama		61,903	23,645	16,774
Portugal	0		38,934	0
Puerto Rico	0	0		0
Dominican Rep.	0	0	28,774	14,374

NB:

- Blank data are not published for confidentiality reasons.
- Data that are 0 correspond to categories with no employees.
- The exchange rate used is as at the end of December 2023.

These pages show the fixed remuneration by professional category and the existing pay gap

	2022			
	Executives	Middle management	Specialists	Operational staff
Argentina	159,005	81,837	30,260	20,440
Australia	0	100,218	70,951	0
Brazil	117,611	47,448	22,084	14,582
Chile	180,883	113,563	37,466	21,063
Costa Rica	0	0	18,469	12,138
Spain	213,146	83,999	49,360	36,665
USA	0	0	0	0
France	0	0	0	0
Ireland	0	0	0	0
Israel	0	0	42,074	0
Italy	0	0	0	0
Luxembourg	0	0	0	0
Mexico	133,058	51,847	19,945	7,954
Netherlands	0	0	0	0
Panama		60,451	23,252	16,801
Portugal	0		35,490	0
Puerto Rico	0	0	0	0
Dominican Rep.	0	0	27,688	14,008

NB:

- Blank data are not published for confidentiality reasons.
- Data that are 0 correspond to categories with no employees.
- The exchange rate used is as at the end of December 2023.

Salary gap

The calculation of the salary gap has been done as follows:

$$\text{Salary gap} = \frac{\text{Men's average remuneration} - \text{Women's average remuneration}}{\text{Men's average remuneration}} \times 100$$

A percentage above zero represents the percentage that women are paid less than men.

There is currently a lower representation of women in positions of higher responsibility and therefore higher pay. Women are mainly concentrated in management and support positions, while men occupy proportionally more business positions.

There is also a predominance of men in the most senior positions, which has an impact on pay. Men occupy the majority of technical and operational positions where all variable pay (shifts, standby, overtime, etc.) takes place, which explains many of the pay differentials.

This scenario highlights the need for diverse profiles, as well as STEM careers and technical training for the development of the company's business activities.

In order to give the overall data by professional category, the mean and median salaries per country and professional category have been weighted according to the number of employees in that classification.

This exercise has been carried out for both total remuneration (average fixed and variable) and variable remuneration.

	2023				2022			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Average fixed + variable salary gap (%)	29.2	4.8	7.7	5.4	29.7	4.8	5.9	5.3
Median fixed + variable salary gap (%)	15.2	0.6	7.2	4.8	17.9	-0.1	3.7	5.1
Average variable salary gap (%)	35.3	10.2	15.9	(0.7)	36.3	10.1	13.1	4.2
Median variable salary gap (%)	21.9	6.4	14.2	1.3	21.0	0.5	7.2	1.0

NB: Details of the gaps by country in chapter Annexes, section Commitment and talent.

Satisfaction and commitment of the Naturgy team

The value proposition and professional experience in Naturgy is built and evolves on the basis of continuous listening to its employees' satisfaction and the value they attach to the actions, services and programmes available to them.

To measure the professional experience, climate and mood of people, Naturgy uses Happyforce as a measurement and technological support tool to obtain the opinion and perception of those who work in the company, globally and transversally across all geographies and areas.

Specifically, Naturgy's people score different factors which, when grouped together, allow the following categories to be assessed: Relationships, Intrinsic Motivation, Feedback, Alignment, Well-being, Compensation and Recognition within the company. These results are captured in a digital and aggregated format, ensuring transparency and anonymity of responses.

In line with the evolution of the measurements of the different aspects of the well-being of our professionals, the happiness indicator gives us the pulse of the company's state of mind with the daily question "How are you today?" and currently stands at 68 points out of 100, with 77% voting "Well" or "Very well".

In this context, the indicator for monitoring satisfaction and engagement of Naturgy professionals corresponds to the percentage of promoters (ratings of 9 and 10) on the question: "On a scale of 1 to 10, how likely is it that you would recommend Naturgy as a good place to work?" Its target rate - by 2025 - is 40% and in October 2023 it stands at 49%.

The metrics for the eNPS and Climate dimensions allow us to analyse response trends throughout the year. In this sense, the evolution of the eNPS in the year 2023 has been very positive and has reached a value of 29 in the October measurement. All the Climate dimensions have maintained a positive evolution, with 4 of them above 7.

It is important to highlight that both the happiness index (Hi), the percentage of promoters, the employee net promoter score (eNPS) and the scores of the different categories are published monthly on the Naturgy intranet, and are available in real time to all employees through a mobile application, where it is also possible to see results disaggregated by areas.

The metrics are analysed monthly by an agile and transversal work group - made up of the business and corporate people teams - who take on a proactive role in the design and implementation of concrete actions to improve the employee experience based on their feedback.

Finally this cross-platform application also allows suggestions or ideas for improvement, as well as social recognition among peers, linked to the competencies of the company's leadership model.

Boosting recognition

As already mentioned, Happyforce has become a lever for the visibility and enhancement of the Leadership Model itself and its 6 competencies: Courage, Transformation, Communication, Continuous Learning, Action and Collaboration.

To encourage social recognition, specific campaigns have been conducted throughout the year, as well as spontaneous acknowledgements, and "seals" have been given out, which go beyond the virtual and generate greater closeness between employees, while generating dialogue between teams.

Listening that promotes improvement

As a result of listening through this platform, focus groups are carried out periodically to deepen the perceptions collected on the platform.

Thanks to this virtual and face-to-face listening, more than 150 actions have been implemented during 2023 to improve the employee experience with an impact on satisfaction and engagement, mainly in the areas of health and well-being, recognition, leadership, alignment, relationships and feedback.

3. Health and safety

Naturgy maintains a firm commitment to the health and safety of people, supported through policies and actions aimed at preserving and promoting responsibility in this area not only at a collective level but also at an individual one, both for employees and collaborating companies (CC). This commitment is led by senior management and embraced by the entire supply chain.

The company works continuously to prevent and mitigate negative impacts on the health and safety of our own employees and the employees of our CC, maintaining risk-free or minimal-risk working environments, and integrating health and safety management at all levels of the organisation and in all decisions and operations.

The management system implemented at Naturgy also establishes specific actions aimed at minimising the accident rate associated with the most critical risk factors, both through operational control tools and through the definition of “red lines”, the surpassing of which implies the application of the penalty system.

The promotion and care of health is another of Naturgy’s priorities, implementing actions aimed at reducing the impact of its activities by improving the quality of life, well-being and health of the people who make up the communities where the company operates, and investing in new educational strategies that enable the workplace to become a forum for the transmission of healthy behaviours for workers and their environment.

Strategy and policy

Global Health and Safety Policy and strategy foundations

Naturgy’s safety strategy is aligned with the Sustainable Development Goals (SDG 3. Good health and well-being and SDG 8. Decent work and economic growth) and is integrated into the 2021-2025 Sustainability Plan, contributing both directly and indirectly to the fulfilment of its goals.

The strategy is based on the principle that nothing is more important than the health, safety and well-being of people and is developed in collaboration with the business units to foster a culture of safety and health throughout the organisation. It aims to avoid and prevent accidents and damage to health, while providing a safe and healthy environment. In this way, Naturgy assumes the following commitments:

- › Guarantee that health and safety are non-delegable individual duties, and that they are taken on by senior management through a visible collective commitment, proactively accepted and implemented by the entire organisation, and by our suppliers and collaborating companies.

- › Establish health and safety as an individual responsibility and as a condition of employment at Naturgy and of the activity of its collaborating companies.
- › Promote well-being by maintaining a working environment with safe and healthy working conditions by integrating occupational risk prevention, and the protection and promotion of health and well-being into business management.
- › Prevent potential injury and damage to health by ensuring that any potential hazardous situations that could affect workers, suppliers, customers, the public and the safety of the premises are assessed and managed in an appropriate way to eliminate hazards and reduce risks.
- › Establish a management model as a driver of the safety, health and well-being culture based on continuous learning, consultation and participation of workers and their representatives, analysis of accidents and incidents, dissemination of lessons learnt and health education and promotion.
- › Incorporate health and safety targets and criteria into business processes, new projects, activities, facilities, products and services, and in the selection and assessment of suppliers and collaborating companies, non-compliance with which will condition the commencement or continuity of their activity.
- › Be a benchmark in new strategies for health education, disease prevention and health promotion, enabling the workplace to become a vector for the transmission of healthy habits and behaviour, as well as a generator of positive influence on the health and well-being of workers, their families and their environment. Implement measures targeted at the continuous improvement of the quality of life, well-being and health of people within the organisation and the communities where the company operates.
- › Provide the necessary resources and means to enable compliance with applicable legal requirements, as well as with the safety, health and well-being standards assumed by the organisation.



Naturgy's Global Health and Safety Policy was approved by the Board of Directors in 2019.

Five principles of health and safety

This vision is complemented by the assumption of five principles of health and safety management that govern all the activities and which are shared and extended to all CCs.



Health and safety management system

Naturgy has a Group-wide Occupational Health and Safety Management System (OHSMS) developed in collaboration with all business units and focused on the areas of greatest risk criticality. This system covers 100% of employees and workers who are not employees and who carry out their activities in work centres owned by Naturgy. This system is integrated with the quality and environmental management systems that already exist at Naturgy and is audited and certified by third parties pursuant to the ISO 45001 specification.

Its scope is global, including all businesses and countries, and pivots on five main lines of action, as follows:

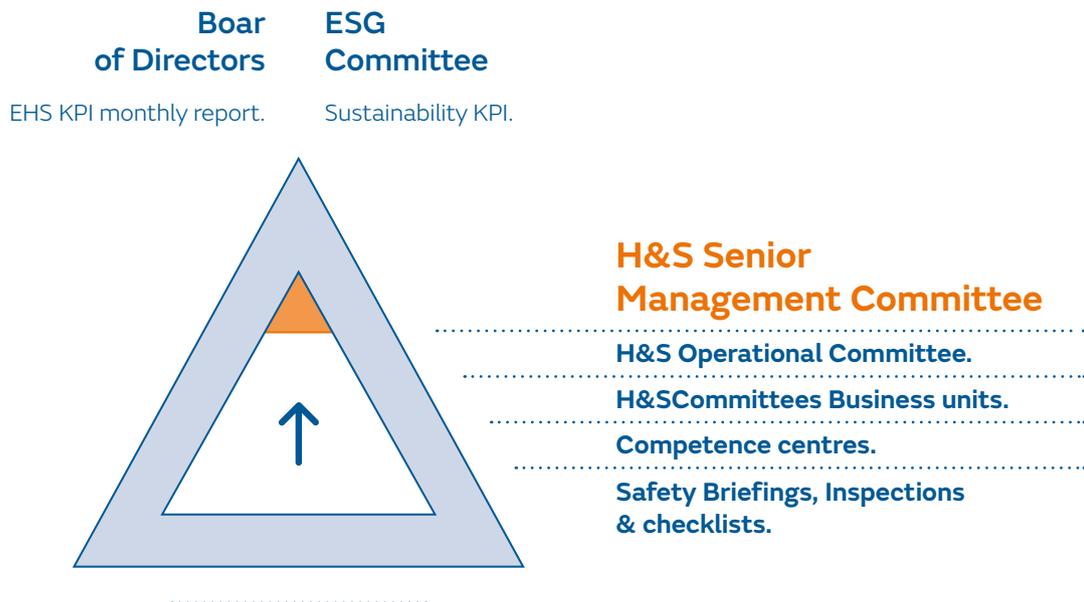


Health and safety governance at Naturgy

Naturgy’s commitment to health and safety is directly linked to senior management and emanates from its Board of Directors. By strengthening this leadership in safety, the aim is to guarantee the application of the model in all businesses and activities, both in-house and outsourced.

Regarding the governance model, the Sustainability Committee of the Board of Directors is the supreme body responsible for the governance of sustainability and ESG aspects in Naturgy. It regularly monitors the management of health and safety risks and opportunities as well as their potential negative and positive impacts. It also approves the Sustainability Plan, assesses environmental, social and good governance performance and analyses the results of ESG indices, standards and trends in order to promote improvement actions and promote and approve projects that contribute to meeting the established objectives.

With this vision, the health and safety governance model is consolidated, with a top-down committee structure, which is adapted to the new business structures and guarantees that criteria are implemented uniformly throughout the organisation.





Development of the Occupational Health and Safety Management System (OHSMS)

The normal development of the Occupational Health and Safety management system is structured on the basis of the following elements:

- › An integrated occupational health and safety management system audited and certified by a third party, with scope for all businesses.
- › The integration of health and safety in the value chain, including procurement, design and planning of activities and facilities.
- › Action plans to address the most critical aspects, ensuring the implementation of preventive and/or corrective measures and strategic lines of work.
- › Itineraries and training requirements tailored to the job.
- › Uniform supervisory tools for the assessment and monitoring of risks, legal requirements, accidents and lessons learnt and their dissemination.
- › Periodic reporting of health and safety performance, adjusted to the needs of the different stakeholders, with transparent and clear communication.
- › Compliance with relevant international occupational health and safety standards and regulations, such as ISO 45001.
- › Consultation and participation of workers or their representatives.
- › A commitment to continually improve the occupational health and safety management system.
- › The establishment of quantitative targets for the improvement of occupational health and safety performance, linked to the monitoring of the evolution of indicators and action plans arising from incidents and accidents.

Consultation and participation

The main backbone of Naturgy's commitment to health and safety is the involvement and collaboration of the company's employees. To identify, correct and eliminate potential risk situations, it is essential that workers are involved through consultation and participation in safety, health and well-being issues. Furthermore, internal and external communication and participation in the development of the integrated quality, environment, health and safety management system allows for successful results.

Specifically, this system includes all groups identified as “workers” as defined in the new ISO 45001 standard.

Naturgy has established the following specific processes and bodies for consultation, participation and two-way communication with employees:

- › Health and Safety Committees, a joint and collegiate body representing workers.
- › Channels for participation and consultation—notice board, personalised letters, intranet, suggestion boxes, Employee Care Service (SAE)—through which anyone can propose ideas, make comments, complaints or improvements, without barriers or obstacles.
- › Regular health and safety communication between unit managers and their teams in accordance with the Health and Safety Standard. These promote awareness and participation of all employees, also responding to their information needs through their lines of command.
- › Enhancement of individual commitment through tools such as “Zero Tolerance”, preventive safety observations and documented safety inspections.
- › Code of Ethics Channel, available to all employees, where they can make complaints about relevant safety breaches that require confidential and impartial treatment

As required by ISO 45001, Naturgy guarantees disclosure of the results of the management system review by Management to the workers' representatives, encouraging their collaboration in the review and continuous improvement of the management system.

The Health and Safety Committee has the following competences:

- › To take part in the elaboration, implementation and assessment of risk prevention plans and programmes.
- › To discuss projects in the field of planning, organisation and development of work and protection and prevention activities, including training in preventive matters.
- › To promote initiatives on methods and procedures for the effective prevention of risks, proposing to the company the improvement of conditions or the correction of existing deficiencies.
- › To be directly aware of the situation regarding occupational risk prevention, making the visits it deems appropriate for this purpose.
- › To be aware of the documents and reports relating to working conditions that are necessary for the performance of its duties.
- › To be aware of and analyse the damage caused to the health or physical integrity of workers, in order to assess its causes and propose appropriate preventive measures.

- › Provide suggestions and concerns in order to contribute to the proposal of secondary prevention and health promotion campaigns, as well as to promote the dissemination of information about what has been planned and agreed in this regard.
- › To be aware of and disclose the annual report and programming of prevention services.

Health and Safety Committees meet on an ordinary basis at least once every quarter, and on an extraordinary basis when very relevant events occur or at the request of any of the parties

Health and safety risks management

Health and Safety Action Plan 2021-2023 balance

The balance of the Health and Safety Action Plan 2021-2023 is considered positive, with significant progress in all the targets set out therein:

- › Reduction of the fatal accident rate of the collaborating companies and its consolidation: in the 2021-2023 period the fatal accident rate decreased significantly compared to 2020, from five fatalities to one in 2021, one in 2022 and one in 2023.
- › Alignment of all collaborating companies with Naturgy's safety targets and maintenance of safety requirements in the new contracting and subcontracting models.
 - One of the key levers of improvement has been the “leadership” of the management in safety actions aimed at CC:
 - i. The application of the safety performance assessment model, together with the extension of the positive metrics model in the businesses/countries that were in the implementation phase, has helped improve the overall health and safety performance.
 - Business commitment to continuous improvement of the safety model, maintaining its homogeneity and integrity as a single model:
 - i. The global implementation of a PSIF (potential serious injury or fatality) model, the improvement of the incident investigation system and the effective implementation of action plans have contributed to the improvement.
 - ii. The “digital ex-ante control” as a tool for evaluation prior to the execution of all activities and works has been developed and implemented in all countries and businesses, improving its effectiveness.
 - iii. Several data analytics modules have been developed in Power Bi associated with core prevention processes, such as the monitoring of health and safety actions and health and safety training.

Health and Safety Plan 2024-2025

Coinciding with the review of the company's Strategic Plan for the 2023-2025 period, in October 2023 the Management Committee approved a new health and safety plan, which will contribute to the achievement of the commitments and targets in health and safety assumed by the Board of Directors.

This plan aims to focus on “visible leadership in safety” not only for the company but also for the management of the collaborating companies, and to evolve the company’s safety model to the new forms of work organisation and its associated risks.

Two key objectives are considered for this period:

Revitalising our Safety Culture through leadership

- › The Group Management Committee and Business Committees as a key lever for reinforcing visible safety leadership at all levels.
- › Personal safety action plan for business leaders.
- › Role of the management of the usual CCs as prescribers of Naturgy’s commitment to safety throughout the subcontracting chain.

Safety, a necessary contributor to operational excellence

- › Sustainable, homogeneous safety model, continuously adapting to new processes.
- › Asset operation security and asset integrity.
- › Zero Accidents vision, greater rigour in the investigation, ensuring the implementation of action plans associated with PSIF events.

The Plan, covering all geographies and businesses where the Group operates, aims to address new forms of work organisation, organisational evolutions and process transformation through adjustments to the safety model, a refocusing of leadership and global communication actions that reinforce a single health and safety culture.

Its development is structured in six main work networks, with a priority focus on:



- 01** Visible leadership and cultural evolution.
- 02** Collaborating companies and subcontractors.
- 03** Digitalisation and reporting.
- 04** Psychosocial factors.
- 05** Training, communication and recognition.
- 06** Security of the facilities and asset integrity.

.....

- › Strengthening “Visible Leadership” in health and safety at all levels.
- › Preventive culture focused on people and adapted to new models of work organisation.
- › Accountability of collaborating companies, improving their proactivity throughout the subcontracting chain.
- › Security and integrity of assets and facilities.
- › Communication as a key element in strengthening a unique culture of safety and creating healthy environments.
- › Digitalisation of prevention and health processes.
- › Data analytics to prioritise decision making also in safety.
- › Anticipation of potential serious injuries or fatalities (PSIF) and their control.

Common health and safety regulatory framework

At Naturgy, health and safety standards, procedures and technical rules of a transversal nature and applicable to the entire Group are in place to ensure that activities are carried out under the same safety conditions in all areas and countries. It is the business units that ensure their dissemination and implementation, as well as proper application.

To achieve this goal, competence centres have been set up to collaboratively develop these corporate standards. This work promotes the commitment of the entire organisation and has a positive impact in improving safety, reducing accidents and achieving optimal results, while ensuring ongoing adaptation and review.

This common regulatory health and safety framework is complemented by technical and safety procedures and instructions by type of activity and through a system for managing work permits for risk activities.

Risk assessment and management mechanisms

The main strategies followed by Naturgy are based on avoiding risks and minimising those that cannot be eliminated. It has instruments for operational control that guarantee that the activity of its workers and collaborators is carried out in the most adequate conditions and in compliance with the contractual, voluntary or legal requirements.

Within Naturgy's OHSMS, and as one of its key processes, the system used for identification of occupational hazards and risk assessment for the organisation's employees has been defined through the corporate standard of identification, assessment and control of occupational risks. It sets out, among other issues:

- › Guidelines for identifying hazards to which workers may be exposed.
- › Methodology for risk assessment.
- › Responsibilities associated with the execution of these processes and competencies of the staff involved.
- › Participation of workers' representatives.
- › Frequency.
- › Criteria for reporting results to employees.
- › Criteria for review processes that ensure their effectiveness.

In 2023, a review of the occupational risk assessment standard was carried out to integrate all aspects related to gender-sensitive risk assessment and to reinforce references to psychosocial factors and risks integrated in the assessment processes.

To ensure that all the information identified in this respect is also passed on in an appropriate way to the rest of the group of “workers” (contractors, suppliers, visitors, etc.), a process is coordinated with the contractors to ensure that these workers receive the relevant information on the hazards and risks, as well as on the health and safety measures to be applied in performance of the activity. This minimises the risks associated with the contracted activities and ensures that their level of safety is the same as that of in-house staff.

This process requires different actions that are applied depending on the type of contract, the activity contracted and the work centre where it is carried out, such as:

- › Definition of health and safety contracting prerequisites.
- › Setting up the corresponding means of coordination according to the type of activity contracted (documentary exchanges, coordination meetings, etc.).
- › Control and supervision of the safety conditions in the performance of the works where necessary.

In the case of workers who are hired through a temporary employment agency, the worker is informed prior to their effective incorporation about the risks associated with the work to be carried out and the centre where they will perform it, as well as the protection and prevention measures against these risks.

Naturgy has developed and implemented operational controls that ensure effective management of occupational risks, in accordance with the defined safety standards. The performance in 2023 of these inspection, monitoring and control mechanisms implemented in all business units was as follows:

8,670

Preventive safety **observations.**

22,312

Documented occupational safety **inspections.**

5,976

Zero Tolerance records and preventive stoppages of work.

100%

Investigation of accidents and incidents that occurred.

Lessons learnt

From the analysis of incidents and accidents, **lessons learnt are drawn for the prevention** of new cases.

Safety contacts

These are used as **actions for the prevention of accidents** from internal or external events.



Innovation in safety management

Preventio, created within the scope of the electricity distributor in Spain, UFD, is a new intuitive and user-friendly tool for the integrated management of Personal Protective Equipment (PPE) and Collective Protective Equipment (CPE) throughout their life cycle, from acquisition to retirement.

Through this app, the worker (user) is able to manage and maintain their equipment in good working order in an agile and, above all, efficient way. Its functionalities include those aimed at:

- › Receiving the equipment that has been purchased, leaving a signed record of the delivery by the user.
- › Consulting the equipment available to the user in real time, as well as its general data, revisions/tests and associated technical documentation (delivery record, technical data sheet, etc.).
- › Consulting which equipment is “Pending periodic review” (by the user) or “Pending regulatory review” (by a specialised company).
- › Consulting the PPE/CPE that have passed the regulatory review date and that remain locked until this has been carried out with a correct result.
- › Knowing which equipment is nearing expiration.
- › Consulting the history of all the equipment received by the user

This development is in line with the process of standardising digital process solutions available in the UFD Digital Work Space. The tool has been identified as a best practice and is being progressively rolled out to other businesses.

Ultimately, all workers have the Code of Ethics Channel where they can make complaints about important safety breaches that have to be treated confidentially, impartially and without fear of reprisal.

The findings emerging from Naturgy's monitoring mechanisms and periodic review of hazards and risks are incorporated into the management system to ensure the effectiveness of its function. In this way, the various conclusions and proposals, together with other relevant information, are brought together in a global Naturgy-level system review report. All this is done as set out by management in the review procedure, which defines the methodology and responsibilities.

Risk map and process safety management

La Process safety is a necessary complement to occupational and industrial safety in order to manage all risks associated with the facilities and their operation. To this end, maintenance and verification programmes for regulatory compliance of facilities are carried out, in which special attention is paid to the compliance with process safety management standards aimed at ensuring the mechanical integrity of assets, management of changes - both in personnel and in technology and facilities - and adequate management of possible emergencies.

This process is carried out by each business unit because they have the most accurate and up-to-date view of the risks in their facilities, which allows them to focus on the highest risk situations and thus prioritise actions aimed at:

› Maintaining:

- Facilities in good condition.
- A reliable service.
- Operating license.
- Good relations with authorities and community.
- Reputation.
- Creating value and employment.
- An image of lower risk for investors.
- Improving competitiveness, efficiency and costs

› Avoiding:

- Serious accidents and their consequences.
- Material and equipment losses.
- Environmental damage.
- Interruptions in business operations.
- Fines, penalties and compensation.
- Costs of accident investigation and remedial action.

Main risks and opportunities

Within the framework of the OHSMS, Naturgy has duly identified and assessed the main risks and opportunities in order to take actions to prevent the materialisation of risks and take advantage of opportunities that can help improve its performance and reduce negative impacts on the health and safety of workers.

This global analysis is complemented by the analysis of specific business risks, mainly aimed at guaranteeing the safety of people, the integrity of assets and the continuity of operations.

Risk	Causes	Assessment*	Actions to address
Loss of homogeneity of the criteria supported in the Occupational Health and Safety Management System (OHSMS).	Business autonomy and lack of transversality of the OHS function.	Moderate	Enhance the activity and content of the H&S operational committee and safety competence centres.
Inadequate maintenance of the OHSMS.	Lack of coordination resources.	Tolerable	Matrix, hierarchical and functional organisation, with definition of business and corporate roles.
Loss of preventive culture, ineffectiveness in achieving goals.	Generational change with the inclusion of groups not trained in the Health and Safety Commitment. Rotation and inclusion of new CCs.	Tolerable	Promote health and safety leadership courses for new hires. Strengthen communication and leadership actions on safety in the framework of the Action Plan 2024-2025. Meetings with contractors, with special focus on those newly awarded in order to pass on Naturgy's values.
Heterogeneity in the implementation and monitoring of OHS within the group.	Greater business autonomy in OHS.	Tolerable	Strengthen the activity and contents of the H&S operational committee and the safety competence centres, and the transversality of the actions associated with the OHS function. Define model of cross-cutting activities that are governed by functional hierarchy and require specific business resources for their development.

Continues >

Risk	Causes	Assessment*	Actions to address
Inadequate reporting of OHS indicators and performance (i.e. reliability of data, roles and responsibilities).	Organisational changes.	Tolerable	Strengthen the governance model, awareness of H&S reporting requirements and the development of tools to facilitate reporting and data integrity.
Non-compliance with any legal requirement on OHS.	High volume of applicable legal requirements	Tolerable	Salem specific audit as a tool for identifying legal requirements. Greater weighting in internal and external audits of the aspects of verification of compliance with legal requirements. Compliance controls and Crime Prevention Model.
Accident rate increase.	Lower level of demand and safety monitoring at collaborating companies.	Tolerable	Action Plan 2021-2023. Regular monitoring of indicators. Red safety lines and disciplinary regime applicable to CCs.
Suppliers with high ESG risk.	Subcontracting of high-risk operational activities.	Moderate	Increasing the level of monitoring and control of subcontracted companies carrying out high-risk activities. Assessment of performance of CCs in health and safety issues. Documentary control and carrying out random OSH audits of businesses.

* Risk assessment criteria as laid down in NT.00071.

Opportunities	Assessment*	Actions to address it
Consolidation of the safety model based on ISO 45001, certified in 2020 and in force since the same year, promoting greater coordination and synergy between businesses.	Optimal	<p>IMS Audit Plan 2023.</p> <p>Tender for the external audit process. Reinforcement of the multisite model incorporating the improvements identified in the previous stage.</p> <p>Development and maintenance of an effective and efficient management system.</p>
Collaborative work model based on competence centres comprising personnel from the different business areas.	Optimal	<p>Enhance the activity and contents of the H&S operating committee.</p> <p>Consolidate the organisational model of prevention based on competence centres.</p>
Reinforcement of the preventive culture based on new ways of working (digitalisation, risk perception, organisation-based safety etc.).	Optimal	<p>Enhance the use of digital tools such as BI, Serious and Fatal Injury Precursor (PLGF), and applied innovation to reduce risk exposure.</p>
Enhance the model of self-diagnosis of the level of implementation of the IMS based on objective criteria (accountability of the business units).	Normal	<p>Development of a tool that facilitates self-diagnosis of the level of compliance by business units</p>
Consolidation of centralised tools for the management of core safety processes.	Optimal	<p>Centralised corporate tools (Prosafety, Control A, Themis).</p> <p>Design, evolution and efficient use of a single system.</p>
Maintaining a certified, third-party audited management system supports compliance and the Crime Prevention Model.	Optimal	<p>Keep OHS and Healthy Organisation certifications up to date.</p> <p>Develop a Power BI module to exploit audit findings.</p>
Simplification of the Prosafety event module. Agility in communication, focus on relevant information and access to CCs.	Optimal	<p>Implementation of the update of the Prosafety events module according to the revision of NT.00035.</p> <p>Mobility app for the initial reporting of events by the CCs.</p>
Safety Action Plan 2024-2025.	Optimal	<p>Approved by the Management Committee and focused on two priority objectives:</p> <ul style="list-style-type: none"> ▶ Revitalising our Safety Culture through leadership and ▶ Safety as a necessary contributor to operational excellence.

*OPTIMAL: the opportunity can clearly help improve the performance of the OHMS. NORMAL: the opportunity and its impact on the performance of the OHMS must be analysed and actions implemented considering the costs, level of effectiveness and the scope of the measures of the organisation.

Management and investigation of accidents and incidents

Investigating and analysing events is an essential action to carry out actions aimed at minimising risk situations and thus improving safety and reducing accident rates. In 2023, incidents and accidents have been analysed and investigated and proactively reported throughout the organisation.

The basic criteria for the identification, treatment and investigation of the causes of accidents and incidents are defined in the standard “Process for reporting, investigation and follow-up of accidents and incidents”. They are also included in the procedure “Management of findings of the integrated management system”, when deviations are identified in the processes or non-conforming products and/or services are detected.

The investigation process starts as soon as the event becomes known. The persons in charge of the investigation, in order to know the circumstances in which it occurred, collect physical evidence and gather information, which is complemented by interviews, review of procedures, tests or analyses deemed necessary.

The purpose of the investigation throughout the process is:

- › identify the causes and contributing factors of the accident/incident: why.
- › Identify, if appropriate, actions to be taken to reduce the risk of the event happening again: learning.

The processes of investigation involve participation by the workers’ line managers, those responsible for the activity, process or facility affected, workers involved, workers’ representatives and any other person who can provide relevant information to determine the causes that produced the event.

To facilitate the first purpose, Naturgy has a unified incident investigation system whose model is based on root cause analysis and optimised according to existing best practises and the **HFACS (Human Factor Analysis Classification Scheme)** methodology.

The model pivots on the following action areas:



Organisational context

- › Resources management.
- › Organisation and processes.



Monitoring

- › Inadequate supervision.
- › Inadequate planning.
- › Prevention management.



Previous conditions

- › Worker conditions.
- › Technical means and materials.
- › Physical environmental conditions.
- › Environmental conditions.



Unsafe Acts Operations

- › Errors.
- › Breaches.

This change helps in reporting and investigating accidents in the following ways:

- › Optimising analysis and comparing between business units.
- › Helping in the process of capturing information and disseminating lessons learnt.
- › Enable root-causes to be reached through gradual reflection.
- › Discriminating between responsibilities and analysing the hierarchical levels at which to act.
- › Helping in adopting short and medium-term measures including the review of processes, activities and applicable standards.

In relation to learning, any finding arising from research feeds into the risk assessment, so if the need for review is detected, the reasoning behind it will be recorded. The corrective and preventive actions defined are also reported, with the aim of restoring compliance as soon as possible in order to minimise their consequences and avoid recurrence.

During 2023, implementation was completed at all levels of “Potential Serious Injury or Fatality (PSIF)”, a tool that helps to identify the main impacts associated with the occurrence reporting process (accidents - incidents). A total of 276 events (64 accidents and 212 incidents) have been classified as PSIF, which represents 7% of the total number of events reported and investigated in the year.

	2023		
	Accident	Incident	Total
Confined spaces	0	3	3
Mechanical handling of loads	2	15	17
Electrical risk	12	26	38
Road safety	22	59	81
Felling and pruning	1	4	5
Working at heights	3	11	14
Other risk factors	24	94	118
Total general	64	212	276

This new concept entails a change in the analysis and monitoring of accidents and incidents, the main negative impact of Naturgy's activity on people. Its investigation process is even more exhaustive and control measures that act on these precursors, eliminating them or reducing their impact, are implemented rapidly.

Accident indicators

	2023			2022		
	Total	Men	Women	Total	Men	Women
No. of recordable accidents (No. of employees)	13	10	3	12	11	1
No. of lost time accidents (No. of employees)	9	7	2	8	7	1
No. of accidents with serious consequences (No. of employees)	1	1	0	2	2	0
Mortality rate	0	0	0	0	0	0
Recordable accident frequency rate (TRIR)	0.19	0.22	0.13	0.17	0.24	0.04
Lost time accidents frequency rate	0.13	0.00	0.00	0.12	0.15	0.04
Frequency rate of accidents with serious consequences	0.01	0.02	0.00	0.03	0.04	0.00
Lost time accidents severity rate	5.62	7.71	1.52	5.66	8.00	0.00
Near miss frequency rate (NMFR)	9.35	nd	nd	5.76	nd	nd
Death frequency rate	0	0	0	0	0	0
No. of hours worked ⁽¹⁾	13,627,880	9,021,717	4,606,163	13,848,217	9,311,143	4,537,073
Occupational illnesses	9	9	0	1	1	0

⁽¹⁾ The international criteria of the American Gas Association has been used to calculate hours worked, which establishes 1960 hours per employee per year.

During 2023 and following an assessment process, 9 workers in Argentina with hypoacusis have been classified as occupational diseases by the competent administration of the country.

There have been no deaths associated with an occupational illness or disease of employees of the Company. There is also no record of any occupational illness or disease of staff of collaborating companies.

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

Naturgy requires strict control by the CCs of the critical factors related to the most serious accidents. The following guidelines are applied to ensure this level of stringency and thus significantly reduce the accident rate in the CCs:

- › They are not invited to the selection process if they do not meet the health and safety requirements.
- › They can be disqualified if they do not meet the contractual safety and health requirements.
- › Priority for employee training: demand of individual training certificate, verification of legal accreditations when required.
- › Application of a sanctions regime if non-compliance is detected.



Having completed the implementation process carried out in 2022, Naturgy has already integrated into its safety management model, in the positive metrics section, two tools that improve the safety proactivity of collaborating companies:

- › **Proposals for improvement of health and safety (HSP):** initiatives or improvement actions proposed by any person of Naturgy or its CCs to improve the safety of any process or activity. During 2023, 539 HSP have been presented and accepted with an impact on different business areas and which, after undergoing a process of analysis, assessment and implementation, generate a significant positive impact on the improvement of the safety of processes and activities.
- › **Safety work stoppages tool:** any worker, whether they work at the company or at one of our CCs, may stop or not complete any activity in which they have detected situations of risk not foreseen in the established risk identification procedures. Its communication is included in the positive metric that recognises the safety proactivity of the CCs and generates a positive impact on the reduction of risk situations whose continuity or persistence over time could end up generating an accident affecting people. A total of 1,763 safety shutdowns were carried out in 2023.

Accident indicators of contractors

	2023	2022
No. of lost time accidents	88	71
Days lost due to lost time accidents	2,743	3,235
Deaths	1	1
Lost time accidents frequency rate	0.35	0.31
Lost time accidents severity rate	10.73	13.95

The fatal accident in 2023 occurred during the company’s electricity distribution activities in Panama. During the tensioning of a medium-voltage overhead wire, the safety wire came loose, causing the support on which the worker was standing and tied to to break, thus making the worker fall. The accident investigation process has defined different actions to be implemented both locally and transversally in all businesses involved in electricity distribution to try to avoid similar accidents.

The Action plan 2024-2025 maintains and reinforces actions aimed at consolidating the reduction of fatal accidents in collaborating companies and achieving the target of zero fatal accidents in Naturgy activities.

Safety among customers and society

One of Naturgy’s fundamental commitments is the safety of people, involving not only employees but also suppliers, CCs, customers and other stakeholders, minimising the negative impact that its activities may have on the communities and geographical areas in which it operates.

With regard to customer safety, Naturgy establishes and maintains effective communication channels with its customers concerning:

- › Information concerning the product/service, and its safety.
- › Service Level Agreements.
- › The consultations, contracts, handling registrations, cancellations and modifications.
- › Customer feedback, including complaints.
- › Incident management.
- › Protocols for action in emergency situations/contingency actions.

These communication channels, especially the complaints and claims channel, provide very useful information to improve and increase satisfaction levels of customers in their relationship with Naturgy.

As for the dangers and risks of the products or services commercialised or provided, all applicable requirements are clearly determined. This is to develop products and services that respond to demand and improve the level of safety and satisfaction.

Requirements can be defined by the customer (needs and expectations), regulations, standards (internal and external) or be intrinsic to the service. For this purpose, a complete verification is carried out to ensure that what is purchased by the customer meets the standards of quality, safety, health and well-being of people, in addition to complying with the safety of the facilities.

Training and communication

Naturgy has designed training itineraries aimed at training workers on occupational hazards and the application of the necessary safety measures for the performance of their work. These itineraries highlight training associated with the most critical risk factors such as electrical risk, working at height, working in confined spaces, cargo handling, road safety, etc., as well as other activities aimed at improving the level of risk perception and health and safety leadership.

Employee health training has been geared towards empowering staff to deal with day-to-day stress and has focused on mental health care through courses on managing emotions and mindfulness.

In 2023, more than 42,968 hours of training have been carried out in Occupational Risk Prevention and Health. This intense training activity has a very positive impact on improving the safety performance of the Group's workers.

As a novelty, and to improve compliance with the annual occupational health and safety training planning, a Power Bi module has been developed and made available to all managers with personnel under their responsibility. The module allows them to quickly and intuitively monitor the training carried out and pending for their entire group, which has led to a significant improvement in attendance ratios and in the achievement of overall training objectives.

Training of collaborating companies

Naturgy provides CCs with all the necessary learning to promote the health and safety culture that exists throughout the company. This is why courses specifically aimed at CCs are facilitated through the Corporate University.

Internal rules of global application have also been established in which coordination between operational business units and their CCs is promoted

Dissemination

Within the framework of Naturgy's commitment to health and safety, the dissemination of its own and other people's events, learning and good practices occupy a prominent place on the intranet platform. The content of this dissemination is reaching contractor companies through the businesses.

At the same time, Naturgy promotes external dissemination actions aimed at improving the safety of the environment in which it carries out its activity, where the following activities are particularly important:

- › Participation and leadership in national and international sector-specific and safety forums.
- › Participation in a research project for the creation of a new psychosocial assessment instrument together with entities of the competent administration and 40 companies of recognised prestige.
- › Collaboration with public administrations in safety awareness campaigns.
- › Active sponsorship of safety conferences in the gas and electricity sectors.
- › Promotion of sectorial accreditation models.
- › Promotion of forums for the exchange and dissemination of best practices with collaborating companies.
- › Carrying out joint safety meetings with collaborating companies.

Comprehensive health

Naturgy is firmly committed to offering its employees a healthy working environment and well-being. The Comprehensive Medical and Health Assistance Unit is based on excellence and ongoing innovation to make available to employees, their relatives, CCs, customers and the social environment in which the company operates, a global, health and well-being strategy that encompasses everything necessary for their benefit, both with regard to prevention, promotion and healthcare, in a customised way, as well as training and information with regard to healthy habits, taking into account both individual needs as well as the particular circumstances of each country

For yet another year, the unit has received new awards for its work to improve well-being in the company. Specifically, in 2023 it received recognition for its health and well-being strategy, programmes and indices. It was awarded the first prize in the Top Well-being Business Plan category at the Human Digital Health Summit, a benchmark event in Spain in terms of health and well-being.

Along these lines, a health monitoring protocol was developed in 2023 to systematise the detection of anxious-depressive symptoms in employees. This protocol has several levels of action in the event of problems and provides the employee with psychological support if necessary. The systematisation of the protocol will be deployed in 2024, but since the pandemic, the psychological support services had already been offered to the first cases detected.

Master Health Plan

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

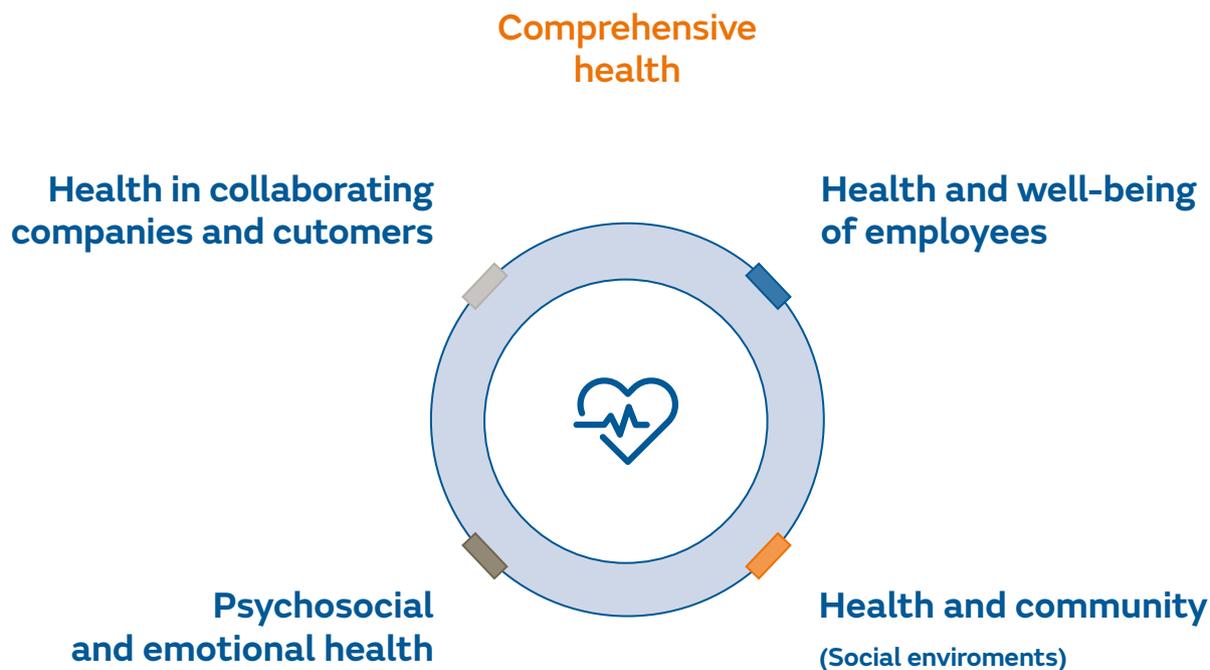
Master Health Plan targets

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

Actions for employees' health

Occupational health services for employees

The Comprehensive Medical and Health Assistance Unit is formed by a multidisciplinary team, whose function is to guarantee the health and physical, psychological and social well-being of all workers, carrying out a set of activities related to health monitoring, ergonomics and applied psychosociology and the promotion of health beyond the workplace.



Every year, this unit defines lines of action and sets out the general framework for Naturgy's activities in the field of health, which it applies to all business areas at national and international level and ensures that processes and actions are carried out in a uniform way, respecting the inherent differences of each country.

This plan is implemented through the following lines of action:

- › Integral health care in the workplace.
- › Support for persons suffering from common illness and accidents.
- › Preventive campaigns to combat the most prevalent diseases.
- › Management of individual aspects of person-position interrelationship considering both the special sensitivities of the workers and the ergonomic needs.
- › Prevention of psychosocial conflicts and promotion of psychological well-being.

As well as in three support or transversal axes that are:

- › National and international coordination.
- › Integrated management.
- › Training and communication.

To guarantee the organisation and quality of Naturgy's employees health services, the company's objectives to improve the standards of occupational health services are reviewed each year and an action plan is drawn up on the basis of indicators.

Naturgy's medical services coordinate the activity of external prevention services, transferring the guidelines to be followed in terms of preventive campaigns, to manage health campaigns and Health Surveillance homogeneously for the whole territory. Each medical service is assigned a territorial area of influence to provide a response and solution to all incidents that arise, both in the performance of examinations and campaigns at the facilities of external collaborators. Employees have at their disposal the employee care service, which collects their doubts and incidents and passes them on to the Naturgy medical service responsible for their resolution by means of intermediation with external collaborators.

The Medical Assistance and Integral Health Unit systematically proceeds to the identification and analysis of any health-related aspect that may be susceptible to being taken into account.

Likewise, these activities are included in the annual process of internal and external audits of the integrated management system, as well as the audit of the Healthy Organisation certification (formerly known as Healthy Company). This is in addition to the company's own audits for accreditation with official bodies.

The integrated management system undergoes an annual review, so that its validity is ensured and its adaptation to Naturgy's Corporate Responsibility Policy is maintained. Other documentation, such as the results of internal and external audits, the results of process performance and the monitoring of area goals, are also taken into account for updating.

In addition, the Medical Assistance and Integral Health area monitors this activity and evaluates the results and impact achieved using several quantitative and qualitative methods and indicators. Among other things, the number of medical examinations, the number of injuries that are precursors to serious illnesses detected in time, staff participation in the campaigns, absenteeism rates, the number of psychosocially evaluated posts, the interventions carried out in this regard, the number of posts with ergonomic evaluation, ergonomic actions carried out at the request of workers, etc., are counted and evaluated.

Psychosocial assessment

During 2023, Naturgy has carried out a global psychosocial assessment process, adapted to the reality of the company and the changes in the environment. The company's psychosocial model has evolved to adapt to new emerging risks and forms of work organisation (teleworking, digitalisation of processes, cyber-bullying, diversity, equality, gender perspective, etc.) to improve health and well-being within the organisation. This has been done following these principles:

- › Integrating all the areas involved in fostering, promoting and executing, from an integral perspective, creativity and innovation with actions associated with the resolution of psychosocial problems.
- › Using communication as a key element in strengthening a unique culture of safety and creating healthy environments.
- › Identifying and enhancing leadership and designing training programmes that include tools for good management of psychosocial factors.

- › Promoting the participation and consultation of workers for the coordination of joint actions.
- › Including the prevention of psychosocial factors in the different processes that determine the organisation of work.

Healthy Organisation Model

In 2023, continuing and enhancing the Healthy Organisation Model certified in 2022, Naturgy has evolved its management system to a model with a high-level organisational structure, reflecting its commitment to existing international principles and recommendations. With the ultimate aim of continuously promoting and protecting the health, safety and welfare of its own employees, their families and the various communities where the company operates, with the participation of all stakeholders.

During the certificate validity period, AENOR conducts annual follow-up audits of the Healthy Organisation management system, to check whether it is being effectively implemented and whether the conditions that gave rise to its concession are being maintained.

The scope of the international implementation of this model extends to Argentina, Brazil, Chile, Mexico and the Dominican Republic. In addition, on the international stage, work has been carried out on the implementation of the Healthy Organisation Model in the Naturgy Integrated Management System, using the Enablon tool and a new format of the Management Review Report to manage its activity.

Workers' access to information about health issues in the company

Naturgy facilitates access by workers to all information about health topics in the company. Health managers apply a policy of personalised and committed attention to those health and well-being issues that, depending on the country, require both the attention of health professionals and the individual and collective awareness of workers. This policy extends to the family level.

The company's commitment to health and well-being also extends to other stakeholders such as customers and the communities where it operates, as shown, for example, by the energy and environmental volunteering actions and the company's commitments included in its strategic plan for actions to protect the environment and reduce its carbon footprint, among others.

Various channels of communication with members of the integrated health team are made available to employees:

- › **Employee Care Service (SAE).** Employees access health services directly after the appointment request that is given through the employee care service. This service serves to directly resolve questions and requests in this area.
- › **Communication.** An important effort is carried out to strengthen the culture of health and well-being of the company through awareness and communication, with the aim of educating people working at the company and their families about the importance of protecting their health and prevention to ensure future quality of life, under the view that the well-being of the employees is also the well-being of those around them. During 2023, this channel has been used on a daily/weekly basis in order to convey to employees the most relevant aspects.
- › **Training.** The health model implemented has led Naturgy to promote the contents as part of the Group's Corporate University, incorporating and developing the key training itineraries for this purpose.

- › **Intranet.** Employees can access the comprehensive contents of the intranet on different subjects to care for their health: nutrition, mindfulness, or prevention of musculoskeletal injuries, among others.
- › **My Benefits Portal.** From this portal, which is accessible from different devices (PC, tablet and smartphone), employees access different health-related services such as their health insurance and policies, as well as informative content (videos / health contacts).
- › **Consultation and participation.** All the actions and campaigns set out in the Annual Health Plan are submitted to the Health and Safety Committee so that the workers' representatives can express their opinion on the proposals of the health team and consult their doubts, as well as propose health campaigns that may be of interest to them.

Promotion of workers' health

The health model approach, described in the previous point, is supplemented by a series of additional campaigns and actions, going beyond mere legal compliance and work-related health, and directly impacting on individual aspects of workers that could pose a risk to their health.

These campaigns and actions seek to increase personal, physical and emotional well-being, and to combat risk factors and health stressors, resulting from a contemporary lifestyle and habits, encouraging Naturgy workers to enjoy an active and healthy ageing. All information regarding these campaigns is updated and available to all employees on the intranet.

The year's planned actions are also disclosed together with the Annual Health Plan at the first Health and Safety Committee of this year, in which the plan is put forward for consultation and in which the workers' representatives participate. This information can be consulted on the organisation's prevention portal.

The most relevant actions carried out in this area are:

- › Promote greater awareness and encourage self-responsibility as a pillar of living a healthy life.
- › Raise awareness of positive habits and behaviours for the health of all people.
- › Empowering workers to take care of themselves and their families' health, as well as to act as influencers in their social environment by providing them with continuously updated knowledge.

As regards employees and workers who are not employees but whose work or place of work is controlled by the organisation, Naturgy transfers its own protocols and procedures to external prevention services to provide suppliers with lines of action in the event of health problems that they can follow as a reference. In this way information flows both among its own and external workers and in the community in which the Naturgy Group operates in the different countries.

Prevention campaigns and health promotion

Naturgy offers its employees a series of prevention and health promotion programmes through voluntary campaigns by the medical services. These campaigns are offered during medical examinations and are aimed at the most relevant health problems in the areas where Naturgy operates.

Campaigns as important as secondary prevention of cardiovascular risk, campaigns for the detection of pre-cancerous lesions (colon, prostate, gynaecological, or lung, in which Naturgy is pioneer, etc.), haematological or ocular diseases, are made available to employees.

Primary prevention is also present through vaccination campaigns (flu and communicable diseases such as tetanus or hepatitis) and primary prevention of cardiovascular risk campaigns: anti-smoking and addiction campaigns, management of overweight, diabetes and obesity, etc., in order to reduce the presence of risk factors for foreseeable diseases.

The actions of the health services in prevention campaigns and comprehensive health promotion activities consist of:

- › Design, coordinate and disseminate actions aimed at preventing the onset of diseases (primary prevention) and/or detecting and neutralising diseases at an early stage, reducing their consequences and improving their prognosis (i.e. detection of pre-infarct cardiac alterations, detection and removal of pre-cancerous lesions such as colon polyps, as well as facilitating the rehabilitation treatment of minor muscle injuries to prevent their progression).
- › Design informative campaigns on healthy lifestyles in order to train workers to improve their health and that of their families, as well as that of the communities where they live owing to its influence.
- › Promote campaigns aimed at supporting the communities in which the Group operates.
- › Assess the effectiveness of these campaigns with the results obtained annually.
- › Furthermore, professionals in the health area collaborate with the social benefits function in the optimisation of employee health insurance (review of health coverage and advice on updating the medical directory).

The company is aware that health campaigns have to be adapted to the needs of the moment. It has therefore designed a nutrition campaign in 2023, with a view to completing its deployment in 2024, to combat one of the most relevant risk factors for cardio-vascular disease such as being overweight or obese, but also to guide employees in organising their teleworking meals in the healthiest way possible.

In 2023, fruit corners have been implemented in the company canteens, where a variety of fruit is made available daily for consumption throughout the working day to the staff of both Naturgy and collaborating companies that render their services at Naturgy buildings.

Absenteeism

— Total lost hours

	2023	2022
Spain	186,706	196,071
Chile	34,389	62,024
Argentina	26,312	45,528
Brazil	10,041	7,882
Costa Rica	64	288
Mexico	9,372	13,016
Panama	2,388	4,037
Dominican Rep.	2,596	2,256
Total	271,868	331,102

The rate of absenteeism due to temporary disability is a very relevant indicator of the state of health of the working population. In 2023, the rate of absenteeism due to temporary disability in the company was 1.83% and in Spain 2.38%, showing a decrease with respect to 2022 in both figures and keeping both rates below 3%. These figures are lower than those recorded in the population of Spain in 2023

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The **rate of absenteeism due to temporary disability** of the working population in the company was 1.83% and in Spain 2.38%, showing a decrease with respect to 2022.

Innovation and new business development

Naturgy conceives **innovation as an indispensable tool in the development of new energy solutions** that enable progress in the energy transition and combat climate change. and evolve towards technological solutions that promote the simplification of processes, cybersecurity and data management, with digitisation also being a fundamental pillar for achieving the company's objectives.



8. Innovation and new business development

1. Innovation and new business development in 2023 at Naturgy.
2. Innovation tools and technology monitoring.
3. Outstanding projects in innovation.
4. New business development.

Naturgy's contribution to the SDG



Naturgy conceives innovation as an indispensable tool in the development of new energy solutions that enable progress in the energy transition and combat climate change, and evolve towards technological solutions that promote the simplification of processes, cybersecurity and data management, with digitalisation also being a fundamental pillar for achieving the company's objectives.

Accordingly, the company's innovation model is designed to weave collaborative networks with the ecosystem to respond to the complexity of the environment and solve challenges in an expeditious and effective way, focused on the digitalisation of processes and services.

The model is based on the following pillars:

- › **Innovation is collaborative and open**, able to respond quickly to signs of change in the environment and evolve in complicated scenarios, able to transform mistakes into learning, and forecasting the future by understanding the past and observing the present.
- › **Innovation is a key lever for growth** as it enables the incorporation of new or better practices, new business models and technological solutions that contribute towards digitalisation, automation and optimisation of processes, guaranteeing safety, operational improvement and facilitating access to information for better decision making. All this in order to place the customer at the centre to provide value-added and sustainable solutions and ensure the company's long-term competitiveness.

- › **The generation of renewable gases such as renewable hydrogen or biomethane** for end uses where electrification is neither technically nor economically feasible. Hydrogen is an efficient and immediately decarbonising solution in intensive industry or transport. It also has great potential in energy storage and integration of energies. Similarly, biomethane is an existing technology that allows for the substitution of natural gas without the cost of abatement to adapt infrastructures or equipment, and is a clear example of circular economy by producing a renewable gas from organic waste.
- › The **optimisation of renewable energy generation** through innovative systems due to their improved energy efficiency and their ability to be integrated into the environment with lower costs or greater reliability. This promotes the entry of new agents into the system and the coverage of part of the energy needs of households, SMEs and public administrations.
- › The **direct use of energy** through new manageable electricity consumption that provides flexibility, for example, in air conditioning, as well as through storage for later use.
- › The **response to increasingly fragmented markets**, with small, flexible competitors, both commercial and generation, with renewable developments closer to customers and smaller in size.

To achieve the goals set, Naturgy has deployed a set of innovation tools based on the search for opportunities - acceleration and investment in operations - and the deployment of a portfolio of projects to broaden the company's industrial profile; incubator of start-ups, investment vehicle, etc.

The challenges presented by the energy transition represent an important business opportunity. Under this premise, and within the framework of the Strategic Plan 2021-2025, Naturgy is developing an extensive investment programme in renewable energies and in the development of new lines of business in areas such as renewable gases or storage.

In addition, the NextGenerationEU funding programme and its application in Spain through the Recovery, Transformation and Resilience Plan represent a clear funding opportunity to respond to the country's main challenges over the next decade.

Two of these main challenges are the energy transition and digital transformation, both cornerstones of Naturgy's Strategic Plan. The company wants to be a key player in accelerating transformation in a sustainable and inclusive way, through innovative and competitive projects that have a positive impact on the environment and society.

Within the framework of the recovery programme, Naturgy has presented projects in the following areas:

- › **Renewable gases**, mainly for the development of H₂ and biomethane production projects, with a model based on the development of hydrogen valleys and their interconnection and adaptation to the gas network.
- › **New renewable generation technologies**, such as offshore wind power, or the development of energy storage systems, to favour the integration of renewable energies and lend flexibility to the system.
- › **Digitalisation**, including projects to digitalise the company's electricity grids, improvements in the operation and maintenance of renewable generation infrastructure, and systems for participation in electricity markets, as well as cross-cutting projects related to data and cybersecurity.
- › **Energy efficiency**, for the development of efficiency solutions and the promotion of self-consumption by industrial, tertiary and residential end customer. The projects proposed focus mainly on innovative solutions for

shared self-consumption, accompanied by social measures that integrate training and rehabilitation, promoted by the Naturgy Foundation.

- › **Just Transition**, to promote solutions that guarantee employment and the creation of activity in the territories affected by the closure of coal-fired power stations, projects for new renewable electricity generation plants and renewable gas plants have been proposed at Just Transition sites.

1. Innovation and new business development in 2023 at Naturgy

Evolution and results

Investment in innovation

Innovation investment and expenditure (€M)	2023	2022
Open innovation and technological innovation Totex	84.5	75.4

Highlights of the year

- › Naturgy and Greene have formed a partnership to, over the next two years, develop a methanation technology to obtain bio syngas from syngas or synthesis gas for injection into the distribution network or for mobility. In this way, the first plant in Spain will be developed with the aim of converting solid urban industrial waste into renewable gas.
- › Through its GiraWind project, Naturgy promotes, together with Ruralia, Postelétrica and Huso 29 renovables, the management of wind farm dismantling and the recovery of dismantled turbines. In 2024, GiraWind has obtained public funding to boost its activity, within the Recovery, Transformation and Resilience Plan for innovative wind turbine blade recycling facilities, with a target of recycling 1,500 tonnes per year.
- › Naturgy, together with the Catalonia Institute for Energy Research (IREC), continues to develop new methanation technology. After obtaining positive results in the laboratory, it has launched a pilot project to produce renewable gas from organic waste and green hydrogen at the landfill located in Mas de Barberans (Tarragona).
- › Development of the group's Cybersecurity Plan 2023, which implements new strategies and initiatives for the transformation of cybersecurity in Naturgy in a context where it is a priority to continue strengthening the measures already taken in previous cybersecurity plans and maintaining proactivity in the face of new threats.

2. Innovation tools and technology monitoring

Forumtech

Technology monitoring and competitive intelligence take place through Forumtech, involving over 140 people from the various business units and corporate areas. These groups, which have a markedly collaborative nature, share and analyse information with a comprehensive vision, bringing together the areas of: technology, commercial, regulatory, social and market aspects. Insights are generated that guide the innovation activity and contribute to the evolution and transformation of the business. They facilitate the take-up of new technologies and best practices, awakening ideas and facilitating the development of new opportunities.

Scouting and Open Innovation

During 2023 Naturgy received and analysed more than 300 opportunities for collaboration, mainly due to the work of scouting of start-ups where the company combines collaboration with the leading international scouters and active internal search. In addition, Naturgy actively participates in initiatives with other corporations in the search for solutions to joint challenges.

Connecting Energy

This year Naturgy has consolidated its start-up incubation programme for start-ups, successfully closing the second edition and launching the third edition in September. The programme enables Naturgy to make the knowledge and talent of its employees available to the entrepreneurial community, promoting the creation of new companies. Eleven projects are currently being developed, with the support of a team of about 50 Naturgy professionals, including mentors and specialists. Incubation allows the company to be a part of the development of new business models and knowledge of new technologies, strengthening ties with the entrepreneurial ecosystem.

Innovahub powered by Naturgy

In 2023, Innovahub already participated in innovative third-party projects promoting the execution of pilots of innovative technologies created by start-ups, validating technologies in an industrial environment and helping to consolidate the business projects that generate them.

In a second line of activity, Innovahub is the vehicle for testing new business models through the creation of new companies with third parties, in the form of a venture builder.

Technological innovation

Technological innovation in Naturgy is based on three basic principles of action: simplification of processes, data orientation and 'Cloud first/Digital first' strategy; all under a cybersecurity strategy to ensure a resilient organisation to risks and threats.

In 2023, the company has continued to work on these lines of action, and the following projects stand out:

- › Development of projects aimed at accelerating information management towards the cloud and the Cloud First strategy, which offers different businesses greater flexibility and scalability in the IT environment. This strategy fosters innovation, provides access to the latest technologies and improves efficiency in the development of digital applications.
- › The Cybersecurity Plan 2023 project implements new strategies and initiatives for the transformation of cybersecurity in Naturgy, with structural measures both in processes, people and security technology in response to the increase in the sophistication of cyber threats, the proliferation of the exploitation of vulnerabilities, the sharp increase in the market for credential theft and attacks with double and triple threats to companies. All this takes place in a context where it is a priority to continue strengthening the measures already taken in previous cybersecurity plans and to be proactive in the face of new threats.

3. Outstanding projects in innovation

Greene

Naturgy and Greene have formed a partnership (W2BM) to develop a technology over the next few years to obtain renewable gas from synthesis gas for injection into the distribution network or for its use in mobility, which represents a new way to produce low-carbon gas. This is the first project of its kind in Spain for the production of synthetic bio-natural gas from the material recovery of industrial waste that is difficult to manage, thus making an important contribution to the circular economy.

During the first phase of development - including the laboratory and experimental stage, as well as the design, assembly and operation of a pilot plant - the conversion of syngas to low-emission syngas through a biological fermentation process that maximises biomethane concentration and reduces syngas conditioning needs is being investigated. This includes the construction and operation of a pilot plant located in Elche (Alicante), with a capacity to produce 2.4 kg/h with a purity of over 95%.

After that, in a second phase of the project, an industrial-scale plant will be built with a treatment capacity of 45,000 tonnes/year of waste to produce around 6,200 tonnes/year of synthetic bio-natural gas, a consumption equivalent to that of more than 35,000 homes in Spain.

Wildfire

Naturgy and the Australian company Wildfire have reached an agreement to research and develop a novel gasification technology to obtain high quality green hydrogen from the thermochemical treatment of a wide range of dry municipal and agricultural waste.

With this collaboration, Wildfire will operate a pilot plant in Brisbane, Australia, for the production of hydrogen for use in any application, including mobility. For its part, Naturgy will use its experience in renewable gas projects to validate the process and ensure its scalability at industrial level, with the aim of studying its implementation in Spain and Europe.

UniSieve

Naturgy and the Swiss company UniSieve have started a collaboration to develop and validate novel gas separation membranes with MOF technology for use in the biomethane upgrading or enriching process. Naturgy will use the experience gained in renewable gas projects to validate the advantages of these membranes and ensure their industrial scalability.

Sakowin

Naturgy and the French company Sakowin have reached an agreement to develop a pilot plant for a novel technology owned by Sakowin to produce hydrogen from natural gas. It is a technology based on plasma pyrolysis of natural gas that allows modular hydrogen production without the use of a catalyst. The technology captures carbon in the form of solid carbon avoiding CO₂ emissions, which can even have a high value-added in certain markets.

The development of this technology makes it possible to use existing gas infrastructure and produce hydrogen wherever it is needed from natural gas or biomethane. Naturgy, together with Sakowin, will pilot the first commercial-scale module of this 100kW technology, producing approximately 4.5 kg/h of hydrogen, equivalent to the output of a 250kW electrolyser. The pilot is scheduled to start in the first half of 2025.

Sempre-Bio

Naturgy participates in the European project Sempre-Bio, co-financed by the Horizon Europe programme of the European Commission, with the aim of testing and demonstrating new cost-effective ways to produce biomethane that facilitate compliance with the Green Deal.

The project consortium, led by Cetaqua, the Water Technology Centre in Barcelona, is an international consortium made up of companies, research centres and universities from Spain, Belgium, France, Norway, Denmark and Germany.

To achieve its goal, Sempre-Bio will create three innovation ecosystems in which, through co-creation processes, specific solutions will be proposed for each of the scenarios representative of the different situations existing in Europe with regard to biomethane production. In particular, five innovative technologies will be tested, which will contribute to diversifying the conversion technology base for biomethane production, and their replication in other facilities will be encouraged.

On the other hand, an exhaustive technological and economic assessment will be carried out to demonstrate the benefits of these solutions compared to conventional technologies, where Naturgy will have an important participation.

Nextfloat

Naturgy participates in an international consortium to promote the industrial and competitive development of offshore wind energy in Europe. The NextFloat project will implement and test an innovative 6 MW floating wind power system in the Mediterranean Sea, off the coast of France (Mistral), to test its scalability and future commercial development.

The project has been supported by the European Union and will be funded with Euros 15.9 million by the Horizon Europe programme.

The prototype uses a disruptive technology that aims to make the floating platform on which the wind turbine sits lighter. It also includes a patented system, "PivotBuoy", which will allow the platform to passively orient itself to the wind, thus maximising its energy efficiency and minimising the impact on the seabed thanks to its "TLP" mooring system.

Naturgy will spearhead tasks related to the socio-economic study of the project, the environmental viability or the commercial exploitation plan of the technology. In addition, it will be in charge of the project's communication strategy.

GIRA Wind

Together with Ruralia, Postelétrica and Huso 29 renovables, Naturgy promotes the management of wind farm dismantling and the recovery of dismantled turbines. The initiative is primarily aimed at inspecting and overhauling turbines that have been in service for years, both as a whole and in the form of spare parts. Secondly, the processing of components that are not fit for further use, but which can be second-life raw materials.

The project is based on an experimental plant in Almazán (Soria), where various technologies and processing lines will be tested. Subsequently, plants will be deployed in different locations, with the aim of maintaining a close relationship with the territories and their local agents.

During 2023, the different lines of processes were designed, making progress in the agreements with technological partners and research teams. In addition, public funds have been obtained within the framework of the Recovery, Transformation and Resilience Plan for innovative wind turbine blade recycling facilities, with the target of recycling 1,500 tonnes per year. Finally, planning for the decommissioning of the first three customer windfarms has started.

Second phase of the renewable gas mixed unit project

Research project developed by Naturgy, the EnergyLab Technology Centre and Edar Bens (A Coruña). Funded by the Galician Innovation Agency (GAIN), it is financed by the European Union within the framework of the Galicia ERDF Operational Programme 2014-2020 for renewable gases research.

This new stage will complete the work done so far by the mixed unit for biogas and biomethane research, which has achieved notable results such as the commissioning of a membrane filtration plant and the first biological methanation plant in Spain at the Bens wastewater treatment facility. Research into other renewable gases such as green hydrogen and bio-syngas will make it possible to assess their impact on current infrastructure and end consumption points.

In the course of 2023, two electrolyzers with a total capacity of 70kW, one alkaline and one PEM, and a hydraulic turbine were installed, which makes use of the energy from the treated water flow. The hydrogen produced is used for further methanation tests. The laboratory has advanced tests on the improvement of biogas production through co-digestion and nutrient recovery and biohydrogen production through dark fermentation.

VAutosin

Naturgy participates with the Catalonia Energy Research Centre (IREC) in a research project on the catalytic methanation process consisting of the synthesis of methane from carbon dioxide of biogenic or reused origin, and hydrogen of renewable origin. The approach stems from the experience gained in the previous CoSin project.

This project aims to rethink the current methanation technology by means of a novel reactor concept which, if successful, would allow a reduction of auxiliary equipment as well as a decrease in energy consumption, improving energy balances and economic cost.

This year Naturgy and IREC have launched the first pilot to produce renewable gas with this technology in the controlled landfill of Mas de Barberans (Tarragona). Experimental operation of the plant is underway to validate the technology developed and its business model.

Zeppelin

Naturgy participates in the Zeppelin project, which aims to investigate a flexible set of technologies for the production and storage of green hydrogen by alternative routes to water electrolysis. It develops technologies based on the use of waste and by-products, seeking to improve production costs and efficiency.

This project addresses the different technological challenges linked to biogas and bioethanol reforming, dark fermentation, microbial electrolysis, gasification and H₂ storage, establishing new models for obtaining green hydrogen complementary to electrolysis with renewable energies, integrated into a decarbonised energy model under the principles of the circular economy and digitalisation.

Naturgy is leading the research and optimisation of H₂ production from thermochemical techniques, for which it is studying the gasification process from waste and the separation and purification processes of H₂ and syngas. This year, an experimental gasifier has been commissioned at Energylab's facilities and the test programme has started using mixtures of lignocellulosic waste together with WWTP sludge to study the optimal process conditions in terms of syngas quality (feed rate, temperature, gasifying agent, use of additives, etc.).

In addition, this year saw the design of a sorption enhanced water gas shift (SEWGS) that will be built and integrated into the plant to purify the syngas-to-hydrogen stream.

The Zeppelin project consists of a consortium of eight companies and has a duration of approximately 38 months, with completion expected in early 2025. It is subsidised by the Centre for the Development of Industrial Technology (CDTI), within the framework of the 2021 call of the Science and Innovation Missions Programme (Recovery, Transformation and Resilience Plan). The project is funded by the European Union through the Next Generation EU Fund.

Sungreen

Naturgy will promote disruptive green hydrogen production technologies by means of a novel electrolysis technology in collaboration with the start-up Sungreen.

The aim of this project is to design, build, install and test a 50 kW prototype electrolyser to validate the technology and compare the results obtained with current commercial technologies. The Anion Exchange Membrane (AEM) technology promises a number of efficiency improvements and considerable cost reductions due to the reduced need to use scarce, exhaustible materials such as noble metals. Moreover, it is a technology that is easily adaptable to the variability of renewable energies, allowing for great flexibility and rapid response.

As part of this development, over the course of 2023, the company developed a 2 kW prototype and validated its characteristics in the laboratory. Naturgy is developing a long-term test programme that will allow the final design of the 50kW electrolyser.

Business innovation projects

In the field of Naturgy's business, innovation projects are focused chiefly on developing projects that promote the digitalisation of the company, guaranteeing safety, operational improvement, and facilitating access to the best information in time and form for better decision-making, aimed at creating value and guaranteeing the company's long-term competitiveness.

Below are some examples of projects developed in the different business areas of Naturgy.

Renewable generation in Spain

- › Development and implementation of various improvements through automation and data analysis to improve event and anomaly detection and monitoring of solar PV plants and wind farms.
- › Development of new sensors and analytics in hydraulic plants with the aim of reducing the need for human inspections and reducing response times in the event of incidents.

Commercialisation in Spain

- › Implementation of a new commercial platform for distributed generation products as a single system for generating offers, calculating the technical requirements depending on the location and accompanying the customer throughout the sales process and installation of the self-consumption product.
- › Single repository with information on contracts and customer service with the aim of having a centralised repository for advanced analysis of customer information that allows 360° knowledge of Naturgy's customers.
- › Application of AI to the consumption curve of customers to offer personalised data on their consumption, such as savings advice, a breakdown of consumption by appliance or a forecast of the amount of the next bill.
- › Implementation of a demand aggregation platform developed by a spin off of the Catalonia Energy Research Institute (IREC). Advanced machine learning techniques are implemented for demand forecasting and local

generation as well as artificial intelligence algorithms for the development of an optimal flexible supply strategy for intraday markets, behind-the-meter adjustment and optimisation.

Gas networks Spain

- › The Fractal Project consisting of an analysis and simulation tool for energy control, based on the automatic calculation of best estimate values and comparative and predictive simulation, aimed at greater governance.

Energy management Spain

- › Evolution of the SCADA system that currently supports the operation of Naturgy's generation assets and its participation in the production markets carried out by the Generation Control Office. This system supervises and controls Naturgy's generation, taking over in real time the sending of signals (power, voltages, temperatures, etc.) and the reception and management of the action instructions sent by Red Eléctrica to maintain the balance between generation and electricity demand and the security of the grid itself at all times. The evolution seeks a technological upgrade of both software and hardware to make the system ready for a more flexible and parameterisable, improving performance and functionalities and allowing different control algorithms and with a graphical interface that does not depend on physical machines.

4. New business development

Renewable gases

The development of renewable gases, such as biomethane and hydrogen, is one of Naturgy's strategic vectors in its business and climate action plan. On the one hand, to reduce a significant part of the greenhouse gas emissions that make up the company's carbon footprint and boost the circular economy. Similarly, in the just transition, to decarbonise the economy and create jobs in the areas affected by the closure of coal-fired power stations. Finally, to decarbonise the company's networks throughout Spain, as well as all gas consuming sectors, industry, the residential sector and transport, focusing on the creation of green jobs in rural areas, in line with the Spanish strategy against depopulation.

Thus, renewable gases are present in all the agendas that aim to provide a solution to the ecological transition.

In the case of biomethane, the Biogas Roadmap, approved in March 2022, established a series of regulatory and sectoral measures for the deployment of this energy in Spain and foresaw a 3.8-fold increase in production by 2030, exceeding 10.4 TWh. The REPowerEU Plan also envisaged the presence of biomethane with the aim of rapidly reducing dependence on Russian fossil fuels and advancing the ecological transition. Finally, the draft revision of the PNIEC, published in June 2023, increases biogas and biomethane production to double that quantified in the Biogas Roadmap, reaching 20 TWh in 2030. With regard to the transport sector, it indicates that biogas and biomethane will contribute to Spain reaching the 25% target for renewable energy in transport and a joint target for advanced biofuels and renewable fuels of non-biological origin of at least 11% in 2030.

As far as hydrogen is concerned, the Roadmap set an electrolyser installed capacity of 4GW, whereas the REPowerEU Plan and the draft PNIEC both set far more ambitious targets.

To promote the penetration of renewable gases as an energy carrier, it is necessary to develop its entire value chain, from its production to its use in the final demand sectors. The publication in Spain of Royal Decree 376/2022 establishing the creation of a system of Guarantees of Origin (GoO) for renewable gases (applicable to biogas, biomethane and renewable hydrogen), its definition and issuance conditions, will favour deployment among industrial consumers with significant decarbonisation needs, where electrification is difficult and whose location does not coincide exactly with the place of production. In the first quarter of the year, the platform of the new system of guarantees of origin for renewable gases, managed by Enagás, was launched, enabling guarantees of origin to be issued for the renewable gas generated, as well as the guarantees to be transferred to other entities. A guarantee of origin is an electronic certificate that certifies the renewable nature of the gas and provides detailed information on its production: when the energy was produced, the type of facility, the location and the energy source used, among other aspects. Its function is to demonstrate to the end consumer that a certain share or quantity of energy has been obtained from renewable sources.

In this energy context, Naturgy, as one of the main operators of natural gas infrastructures, assumes its leading role as a driving agent for the development of the renewable gas value chain.

The biomethane opportunity

The production of renewable gases such as biomethane from livestock, agricultural or industrial organic waste, or from landfills and wastewater plants, is an excellent example of the circular economy in the energy sector, providing significant environmental benefits, a complementary source of income for rural areas and a decarbonised supply to end users.

Although there are differences between the figures for biomethane production potential in Spain depending on the source consulted, the country ranks third in Europe for its high potential. According to the Study of biomethane production capacity in Spain 2023, published by Sedigas, the total accessible biomethane potential in Spain would be 163 TWh/year, in line with other reports. The development of this potential would represent more than 40% of the annual demand.

Moreover, biomethane is a carbon-neutral fuel gas and can even have negative CO₂eq emissions. This is the case of biomethane from livestock waste, the current management of which causes GHG emissions. The transformation of this waste into renewable gas can avoid the atmospheric emission of 200% of the CO₂eq emissions corresponding to the fossil fuel replaced.

Considering a carbon footprint abatement ratio of 0.31 Mt CO₂eq/TWh, exploiting the biomethane production potential of 163 TWh/year would achieve abatement of over 50 Mt CO₂eq/year, which is equivalent to 23% of the national 2030 target of the Integrated National Energy and Climate Plan currently in force.

According to Sedigas estimates, from an economic point of view, the development of these plants would be equivalent to an investment of Euros 40,495 million for the entire national territory, equivalent to 3.61% of Spain's GDP. It would also have a significant positive impact on job creation, especially in rural areas, helping to meet the targets of the demographic challenge in Spain. In total, 21,736 direct jobs and 40,205 indirect jobs associated with the operation and maintenance of the biomethane plants would be generated, to which should be added 34,890 direct jobs and an estimated 465,200 indirect jobs associated with construction.



Environmental benefits

- › It promotes the development of a productive process based on the use of renewable biological resources, which guarantees the efficient use of natural resources and reduces the generation of organic waste, promoting the conservation of biodiversity and ecosystems.
- › It facilitates the decarbonisation of sectors that consume natural gas by replacing it with a fuel of renewable origin and therefore neutral in CO₂ emissions. It also reduces emissions in sectors such as livestock, agriculture, waste management and water treatment through the recovery of organic waste, thus reducing their negative impact on ecosystems and the population.
- › It contributes to the improvement of air quality by avoiding the combustion of these wastes, and reduces the environmental impact of chemical fertilisers by substituting them with the high quality fertiliser obtained: digestate.

Social and economic advantages

- › Generation of employment, especially in rural areas, providing solutions to the demographic challenge and the depopulation of rural Spain.
- › The livestock and food industry sectors have a significant weight in the Spanish economy, and the management of their organic waste offers a renewable and highly available resource.
- › Cities can seize this opportunity to manage waste in a circular way to meet the region's reduction targets.
- › Obtaining a high quality organic fertiliser that favours keeping waste within the productive cycle and that can be recovered in other sectors.
- › First-rate national technology and engineering for obtaining biomethane, with R&D potential to take advantage of opportunities such as digitalisation of the tracking of waste used and certification of the guarantee of origin.

Advantages related to the energy transition

- › Sustainable and renewable energy that contributes to the energy transition and security of supply.
- › Reduction of external energy dependence.
- › Manageable for continuous generation.
- › Versatile energy source, valid for domestic, industrial, commercial and transportation uses.
- › Exploitation of the existing natural gas infrastructure and the equipment at the point of consumption that allow universal consumption of a renewable and bio-based fuel that can be easily distributed.

Lines of action in biomethane

Naturgy develops projects throughout the integrated value chain, from waste management and biogas production to the production, distribution and commercialisation of biomethane.

The company has experience in the development of renewable gas on a commercial scale, acquired in projects launched in recent years such as the Elena landfill, and new projects that are starting to take shape such as the Vila-sana (Lleida) project and the one located in the wastewater treatment plant (WWTP) of Bens, in A Coruña, which is more innovative in nature.

In addition, Naturgy has a portfolio of more than 60 projects. Of which 37 are self-developed for the production of biogas and its subsequent enrichment process to produce biomethane with the aim of injecting it into the natural gas network and the rest based on marketing agreements. The details of the 37 own projects are:

- › 19 livestock waste projects (1,115 GWh/year)..
- › 1 WWTP sludge project (6 GWh/year).
- › 10 industrial waste projects (337 GWh/year).
- › 1 landfill project (12 GWh/year).
- › 6 agricultural waste projects (439 GWh/year).

In addition to the development of the second phase of the Mixed Renewable Gas Unit project, mentioned in section 3 of this chapter, more detailed information is provided below on other projects of major interest developed during 2023.

Vila-Sana project in Lleida

This plant, which will start injecting renewable gas into the grid in the first half of 2024, will become the company's third commercially operated facility in Spain. Located on the Porgaporcs livestock farm (Vila-sana, Lleida), it will generate biomethane to supply the equivalent annual consumption of 3,150 homes and will prevent the emission into the atmosphere of around 2,450 tonnes of CO₂ per year, injecting 11.5 GWh/year into the gas distribution network.

With this plant, Naturgy takes another step forward in its commitment to energy transition, local energy production and the circular economy, providing clean gas to the energy system and contributing to the sustainable management of agricultural and livestock waste.

Rice Straw Project in Valencia

In 2021, Enagás, Genia Bioenergy and Naturgy's gas distributor Nedgia signed a protocol with the Regional Ministry of Agriculture, Rural Development, Climate Emergency and Ecological Transition of the Valencian Regional Government (Generalitat Valenciana) to promote a circular economy project that has continued in 2022 and 2023. From rice straw, 96 GWh per year of renewable gas will be produced, equivalent to more than 15% of the natural gas consumption of the city of Valencia. This fully decarbonised gas will be purified and injected into the gas infrastructure, thus eliminating the emission of 150,000 tonnes of CO₂ into the atmosphere.

The project offers a solution to multiple environmental problems. Using the technique of anaerobic digestion, the waste is turned into renewable gas - which is injected into Nedgia's distribution network to be used for the same end uses as natural gas - as well as nutrients and fertiliser products that can be applied, again, in agriculture, creating a circular economy model.

The implementation of this initiative will also largely help to solve the environmental problem of poor air quality generated by the burning of rice straw around the city of Valencia and its metropolitan area, as well as the problems with irrigation channels and aquifers, and the degradation of water and soil due to anoxia and greenhouse gas emissions when the straw is left to rot in the open air, facilitating more sustainable agricultural uses in an environment with a high ecological value.

This pioneering initiative, which promotes investments for the improvement and sustainability of agricultural practices, can be applied in other rice-growing areas of Spain, such as the Ebro Delta, Extremadura or the Guadalquivir marshes, while promoting sustainable rural economic development and territorial cohesion in areas with demographic challenges.

Segrià

Naturgy, together with the companies Compost Segrià, Sitra and Servei de Gestió Ramadera, started in 2023 the processing of a new renewable gas plant of the group in Torrefarrera (Lleida), in one of the main areas of Spain that generates agricultural and livestock waste. The plant will represent an investment of Euros 18 million.

The facility, which is expected to be operational in 2025, will treat 140,000 tonnes/year of agro-industrial and livestock waste from the area, and will produce 60 GWh of renewable gas per year. This production is equivalent to the annual consumption of 16,000 homes and will prevent the emission of 15,000 tonnes of CO₂/year into the atmosphere, an amount equivalent to planting 25,000 trees.

The biomethane generated at the Torrefarrera plant will be injected directly into the gas network of Nedgia, the gas distributor of the Naturgy group, which is fully prepared to transport renewable gases thanks to the investments made by the company in recent years.

Utiel

Naturgy together with AEMA Servicios Energéticos will build a new biomethane plant, in the Valencian municipality of Utiel, with a capacity to produce 20 GWh per year. Construction will begin soon as the environmental and building permits have been granted by the Utiel Town Council and will entail an investment of Euros 2.7 million. It is scheduled to come into operation in early 2025.

The Utiel power station will use agro-industrial waste and will have the capacity to supply more than 5,300 homes with a renewable gas that can be injected into the distribution network, avoiding the emission into the atmosphere of more than 4,300 tonnes of CO₂eq/year.

The project is aligned with the Valencian Biogas Route, which promotes the construction of a hundred renewable gas plants in the region to produce 65% of the gas consumed by Valencian households.

The hydrogen opportunity

Despite the difficulties of use, availability and technological cost, renewable hydrogen has a promising future. The REPowerEU Plan has reinforced the roadmap in Spain which sets a target of 4 GW of installed electrolysis capacity by 2030, which is 10% of the target set by the European Union. In turn, the draft revision of the PNIEC published in 2023 increases it to 11 GW, which is a clear sign of a commitment to hydrogen, although it implies an additional effort to deploy conventional renewables, which is already ambitious in itself. The support of the administration and the private sector, especially those players already consuming grey hydrogen such as refineries and fertiliser producers, will be essential for the implementation of large-scale projects to meet the expected technological pathway.

Green hydrogen constitutes an energy vector capable of:

- › Channelling large amounts of renewable energy from power generation to sectors where electrification is not a feasible option.
- › Storing and managing energy massively and over long periods of time, matching energy supply and demand.

The existing infrastructure for the transmission and distribution of natural gas in Spain can be used in the short term for the transport of hydrogen in the form of blending up to 5%, without the need for investment, in accordance with the Resolution of 21 December 2012, of the Directorate General for Energy Policy and Mines, which amends the PD-01 “Gas Measurement, Quality and Odourisation” detail protocol of the technical management rules of the gas system. In the medium term it will be possible to reach blends above 10% by upgrading compressor stations and other minor elements.

Lines of action in hydrogen

Naturgy has been researching the development of hydrogen for years due to the enormous potential it has for a country like Spain. The country can position itself as a strategic exporter of new renewable energy, capable of travelling long distances, transported on existing infrastructure and integrated with the grid for an efficient and resilient energy system. Naturgy, an essential player in energy transmission and distribution, can contribute its global capacity and knowledge throughout the value chain.

During 2023, the company has worked on the development of large renewable hydrogen production hubs linked to just transition zones, especially in areas affected by the closure of thermal power stations. The aim of the development of multi-demand hubs is to promote the development of new markets for direct consumption in industry, injection into the gas network for its commercialisation with guarantees of origin, mobility or production of H₂ derivatives.

For example, the company is working with Enagás Renovable on the development of a hydrogen plant in La Robla (León), in the vicinity of the thermal power station closed in 2020. The aim is to produce renewable hydrogen from a photovoltaic plant and an electrolyser with which to cover local consumption and enable future export to Northwest Europe. It will reduce GEI emissions and encourage the penetration of renewable energies in sectors that are difficult to electrify. The company has presented the project within the framework of the candidacy of

projects of common European interest and proposes similar initiatives for hydrogen production from renewable energy in the areas of the former thermal power stations of Meirama (Galicia) and Narcea (Asturias), linked in this case to wind power stations.



Hydrogen production project at Meirama

Naturgy, together with Repsol and Reganosa, has planned a renewable hydrogen hub of up to 200 MW in Meirama. In the initial phase of the project, which is scheduled for commissioning in 2026, 30 MW of power will be achieved. In the full development of the project, the plant will have an output of 200 MW and a total production of 30,000 tonnes of renewable hydrogen per year. The plant will supply the Repsol refinery in A Coruña and other consumers.

The project represents an opportunity for sustainable economic development in Galicia. Being located in the municipality of Cerceda in A Coruña, a Just Transition area affected by the closure of the Meirama thermal power station, the project will promote the creation of stable employment and the training of highly qualified professionals.

The renewable hydrogen generated will be targeted at industrial use to replace the conventional hydrogen currently used by the Repsol refinery. It will also be used in other industries, in injection into the gas grid for blending with natural gas, and in mobility. All these uses will reduce the area's carbon footprint and demonstrate the feasibility of mass production of renewable hydrogen and its distribution to the end consumer.

The project's innovation is present in all stages of the hydrogen production value chain: in the production plant itself, in its uses in industry, in injection into the gas network, in commercialisation through Guarantees of Origin (GoO) and in its use for sustainable mobility. It is a multi-demand project.

The project thus demonstrates the feasibility of large-scale deployment of renewable hydrogen to decarbonise industry, as well as the reuse of existing facilities in areas affected by the decommissioning of thermal power stations.

The hydrogen production plant will not only lead to a high level of job creation, but will also bring social benefits, thus contributing to the fulfilment of the United Nations Sustainable Development Goals.

Storage

The geopolitical scenario and the current energy crisis have further encouraged the promotion of renewable energies. The National Integrated Energy and Climate Plan (PNIEC) 2021-2030 foresaw that by 2030, 74% of the energy mix would be made up of renewables. In addition, European policies - such as REPowerEU - have led to a forthcoming review of the PNIEC and the targets set in the framework of the European Green Deal to 2030, to increase the level of ambition, particularly for wind and photovoltaic energy, up to 81% in Spain by 2030.

This situation presents the energy system with the challenge of equipping itself with flexible tools to manage production, match generation and consumption, avoid sudden drops in production and provide firm capacity to the system. In this scenario, storage is key to the security and quality of supply.

The development of storage systems, in particular batteries, although constantly improving, is now mature enough to support the development of renewables. Among battery technologies, lithium-ion (Li-Ion) batteries are currently one of the most efficient technologies, both technically and economically, and these are expected to grow the most. Even so, its main limitation is the price, so in energy markets that are not very mature in the use of this type of storage, it is necessary for projects to have public support for their development in the short term.

Although in recent years Naturgy has carried out Ion-Li and redox flow battery projects that have allowed the technology to be tested, the lack of regulation has not made it possible to test its operation in the Spanish electricity system. This is currently the main challenge: to achieve the management and integration of storage in the energy and balancing markets. This requires the development of new operating systems that will be key to the optimisation and economic viability of these projects.

Lines of action in storage

During 2023, work has been carried out on the development of several initiatives with the aim of developing a portfolio of storage projects that will enable compliance with the Strategic Plan, whose goal is the implementation of 120 MW of storage in Spain:

- › **Hybridisation projects in generation**, mainly in wind farms and photovoltaic parks. The hybridisation of storage with generation will allow the renewable energy that is incorporated into the Spanish electricity system to be manageable, providing flexibility and firm capacity to the system.
- › Deployment of **stand-alone storage** in key locations in areas of grid congestion or loss of firm capacity due to the closure of thermal power stations. At the technological level, the challenges are similar to those of hybridisation projects in wind farms, mainly the management of the control system to achieve optimal operation.
- › Development of a **new storage model** to optimise economically and technically the implementation of hybridised systems with storage in small and geographically close farms. Since there is currently no regulatory framework to rely on, it will be developed within the context of a regulatory test bed.

Currently, Naturgy is the company with the most aid and capacity awarded in the first two calls for aid for storage in the framework of the PERTE HERA, with twelve projects totalling 218 MW of power, 467 MWh of production and Euros 41 million in aid. In addition to the development of these projects, it has a potential portfolio of more than 300 MW for the coming years. These projects have been developed with Spanish technology partners and research centres, to generate jobs and strengthen the business fabric throughout the value chain of the projects.

Given this situation and the fact that the energy transition is one of the pillars of the Recovery Funds, significant support is being given for this type of projects. These subsidies are an opportunity to speed up the implementation of this new technology in the short term, although it is expected that in the medium and long term a stable and favourable regulatory framework will develop, which, together with the expected reduction in technological costs, will make the technology viable without subsidies in the coming years.

Sustainable mobility

In 2023, Naturgy's commitment to sustainable mobility based on different technologies has continued.

In terms of gas, the company has continued its commitment to the deployment of a nationwide infrastructure of natural gas vehicle (NGV) refuelling stations for public use, aimed at achieving a BioNGV transformation. At present, it has 13 facilities in Spain. The energy billed for mobility services was 793 GWh, which represents a decrease of 15% compared to the previous year, due to the expiration of one of the largest NGV supply contracts.

Since natural gas has lower emissions than other fossil fuels, it can contribute to the decarbonisation of transport, especially in heavy transport, where electrification is not foreseeable in the short and medium term.

In addition, existing NGV refuelling station infrastructures can be used both for biomethane -favouring its development- and for hydrogen -either through blending with natural gas, or through synergies due to the similarity of their business model-, which allows them to share sites and their development. This is why BioNGV-oriented NGV continues to be a growth vector for the energy transition in heavy transport.

In terms of electric mobility, the company had 593 electric vehicle charging points at the end of 2023.

Lines of action on sustainable mobility

Among the initiatives highlighted in 2023, the following are noteworthy:

- › **Signing of the first contract for biomethane GoO in heavy transport.** Naturgy has agreed to supply Guarantees of Origin (GoO) to the transport company Disfrimur, vehicles used in food transport. The use of biomethane will make it possible to decarbonise heavy and last mile transport in the short to medium term.
- › **Renewal until 2039 of three public NGV refuelling stations of the Madrid City Council.** Naturgy is committed in the tender to supply more than 80% of biomethane during the entire contract period, which means supplying more than 200 GWh of biomethane. This fuel substitution will contribute to an emissions reduction of up to 35,000 tCO₂/year, which is equivalent to taking 14,500 vehicles off the road in a city for one year.
- › **Supply of electricity from renewable sources in all public electric chargers (RP).** Naturgy is committed to the promotion of renewable energies in the field of mobility that will allow the decarbonisation of light vehicles in urban environments.

Social responsibility

As a **company committed to society and supplier of a basic commodity such as energy**, Naturgy has the responsibility to offer a quality and continuous supply, as well as to understand and contribute to addressing the challenges associated with access to energy, both those that affect the most vulnerable groups and those that impact the territory as an indirect effect of the energy transition.

The company demonstrates its unwavering commitment by providing know-how and resources and by allocating part of its profits to social investment for the economic and social development of the areas where it operates.



9. Social responsibility

1. Social responsibility in 2023 at Naturgy.
2. Energy vulnerability.
3. Relation with communities.
4. Sponsorship, social action and volunteering.
5. Naturgy Foundation.

Naturgy's contribution to the SDG



Social responsibility is one of the cornerstones of the company's Sustainability Plan and reflects the commitment to society embodied in Naturgy's Corporate Responsibility Policy.

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The company demonstrates its unwavering commitment by providing know-how and resources and by allocating part of its profits to social investment for the economic and social development of the areas where it operates.

To be able to contribute what is necessary in each place, Naturgy maintains a fluid and permanent dialogue with society, enabling it to be aware of the needs, expectations and doubts of the communities where it operates and to invite their involvement and participation in the programmes aimed at their well-being.

Ongoing collaboration with society also takes place through cultural, social, sustainability and environmental resources and programmes that the company uses to create wealth and prosperity for those around it.

1. Social responsibility in 2023 at Naturgy

Evolution and results

Economic value distributed. Detail by group of interest (million euro)



Economic value
generated

23,254

Economic value
retained

3,061

Economic value
distributed

20,193

Other groups
of interest
3,828

Suppliers
16,365

Social action
11

Financial expenses
817

Shareholders
1,454

Public Admin.
981

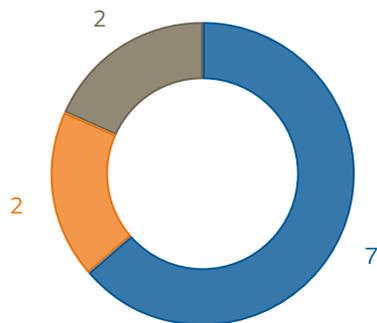
Employees
565

Social investment indicators

	2023	2022
Breakdown by type of action (%)		
Social	85	83
Environmental	3	2
Cultural	12	15
Sponsorship and social action activities (No.)	186	113
Total social investment (million euro)	11	11

Naturgy maintains a fluid and permanent dialogue with society, enabling it to be aware of the needs.

Social investment (million euro)



Amount for:



Donations

Financial contributions to foundations and non-profit organisations for which the company receives no compensation.



Partnerships

Financial contributions to foundations and non-profit organisations for which the company receives some compensation.



Sponsorships

Amount allocated to other types of entities, not necessarily non-profit making and for which the company receives some compensation.

Highlights of the year

During 2023, the main achievements in the field of Social Responsibility in Naturgy have been:

- › More than 4,400 homes rehabilitated, and 2,502 families assisted in energy volunteering since the Plan started.
- › Rollout of the Social Relationship Model in several territories of Spain, such as the Canary Islands, Andalusia, Extremadura, Castilla La Mancha, Castilla y León and Galicia.
- › Development, together with the Naturgy Foundation, of the learning outcomes and the contents and materials of the new module “Sustainability applied to the production system” integrated in the Organic Law on the Organisation and Integration of Vocational Training, and which will form part of the basic curriculum common to the intermediate and higher vocational training cycles of all curricular families.
- › The Naturgy Foundation launched the first edition of the ‘Naturgy Foundation-CSIC Award for research and technological innovation in the energy field’.
- › Publication of the study “Women’s employment in the Just Transition in Spain”, an unpublished study that provides the first complete diagnosis of the situation of women in the energy transition labour market based on real data.

- › Launch of the first professional training course on photovoltaic installations aimed exclusively at unemployed women.
- › More than 21,586 hours of corporate volunteering and Euros 172,837 of employee wages raised during the Solidarity Day.
- › 184,347 beneficiaries of training programmes of the Naturgy Foundation.

2. Energy vulnerability

Energy Vulnerability Plan in Spain

Naturgy considers people to be the most important focal point, and even more so vulnerable groups in need of protection. For this reason, the company has an Energy Vulnerability Plan that constitutes its strategy to help alleviate this social scourge. The Plan was established in 2017 and has continued to evolve and adapt to the realities of each year. The plan is being worked on by different areas of the company with two key players: the Naturgy Foundation and the customer area. It seeks to go beyond compliance with prevailing legislation and promotes partnership agreements with the different public and private bodies involved, as an element on which the rest of the Plan's actions are based.

The goals of the Plan to alleviate vulnerability and energy poverty in Spain are:

- › Implementing activities with entities that work to alleviate energy poverty cases and to detect vulnerabilities.
- › Improving management and customer relations in cases of energy vulnerability.
- › Streamlining the exchange of information with town and city councils for better identification of situations of energy vulnerability.
- › As a result of the current global situation and in Europe in particular, with rising energy and fuel prices, adverse weather events, shortages of raw materials and logistical problems that have been occurring recently, the most vulnerable people are suffering the greatest negative impact today.

Energy vulnerability is a top priority for Naturgy. The actual and potential negative impacts identified are as follows:

- › The right to adequate housing includes access to a modern energy source. Energy vulnerability therefore affects this basic right.
- › People in vulnerable situations are affected physically and psychologically, as they are unable to meet the most basic needs due to the lack of energy supply. The lack of household temperature adaptation both for cooling and heating leads to the aggravation and development of illnesses. The emotional state of people is also affected, as well as the educational development of the younger population or the access to a job in the working age population.
- › A larger vulnerable population means that more and more people have less and less spending capacity for other products or services. If this situation were to continue over time, it would lead to a reduction in demand, which would lead to the destruction of supply and therefore of the business fabric.
- › As for the environment, energy vulnerability forces people in such a situation to look for other, sometimes more damaging, energy sources.

Energy prices are more moderate than in 2022, but still high and subsidised. This is why the company continues to take every possible action to minimise the impact on the most vulnerable people.

Main actions of the Naturgy Foundation

Naturgy has activated numerous mechanisms to help alleviate energy vulnerability. In 2023, in Spain, Naturgy continued signing agreements to protect vulnerable customers with different administrations to prevent cutting off customers. Measures taken to prevent, address, manage and facilitate the remediation of actual and potential negative impacts during the year have been:

- › Naturgy Foundation Energy Rehabilitation Solidarity Fund. It facilitates energy rehabilitation works for the housing of families in a situation of vulnerability. In 2023, the number of rehabilitated dwellings exceeded 4,400, with 810 dwellings being rehabilitated during the year. The management and selection of homes to be rehabilitated is carried out through agreements that the Foundation carries out with third sector entities that work with vulnerable people. In 2023, 12 agreements have been signed. Work has also been carried out with 25 municipalities.
- › The Naturgy Foundation has continued to develop the line of social innovation, in which it pursues the incorporation of renewable energies in the fight against vulnerability. Five projects have been initiated for the installation of 137 kWp (kilowatt peak) photovoltaic power, benefiting 1,132 people.
- › Energy School. One of the causes of energy vulnerability is the lack of training and knowledge about energy among both the general population and the social technicians who accompany the population in vulnerable situations. That is why the Naturgy Foundation created the Energy School. It is a school where trainers provide training and workshops to vulnerable groups and social technicians, either in person or in a hybrid format. The topics covered range from the energy sector in general, understanding energy bills, energy efficiency tips, the discount rate, as well as all the latest news and legislative changes in energy matters. The School works mainly with town councils and is present in more than 700 municipalities. In 2023, 4,134 people have attended the School's training courses, 68% of whom are families and 32% are social technicians. The periodic advisory service to some town councils has continued. Through this programme, the population in a situation of vulnerability is advised on their consumption and bills, and they receive support to improve contracting and habits for efficient energy consumption. The webinars initiated during the pandemic period continue to be very useful and, in 2023, two webinars have been held with 218 attendees, entitled as follows: "Initiatives to alleviate energy poverty in the European context. European SocialWatt Project and EPIU Getafe Project" and "Current events in the electricity market: impact on bills and case studies". As part of the accompaniment project, an impact measurement activity has been initiated.
- › Energy volunteering. The Naturgy Foundation manages the company's energy volunteering programme, so that employees who wish to do so, with their expert knowledge, can help people in a vulnerable situation to reduce their energy costs. To this end, online and face-to-face energy advice workshops are organised to help users understand their bills, access the discount rate and learn about energy saving measures to improve their energy use. These workshops have been developed under the agreements signed by the Foundation, but also at the request of other entities that have requested them, including the employees themselves and other business areas of the company. In 2023, 2,502 families have been assisted with energy volunteering.
- › It continues to maintain the special conditions for splitting bills to help customers in a situation of vulnerability, enabling them to split the debt into a greater number of instalments.
- › These actions are complemented by the publication of studies such as those carried out in 2023: "Assessment of the impact of express rehabilitation on energy poverty: analysis of real cases" and "Energy poverty: agent ecosystem to combat it through proximity interventions". These studies provide the Plan with a solid knowledge base on which to base its actions. In addition, the Naturgy Foundation is part of the advisory board of the Chair

of Energy and Poverty of the Comillas Pontifical University, which is a privileged environment from which to give coherence to studies, legislative proposals, training and dissemination actions that help mitigate and, ideally, eradicate this problem.

These actions are complemented with the awarding of the Award for the Best Social Initiative in the Energy Field, through which the Foundation pursues a twin objective; on the one hand, to make visible the initiatives that other entities are carrying out to fight against energy vulnerability, and on the other hand, to provide resources to other social energy projects. The 4th edition of this award was held in 2023, with the participation of 66 entities presenting their projects. The first prize of 60,000 euros was awarded to the Red Cross, and Círvite was awarded the second prize of Euros 30,000.

In addition, the Naturgy Foundation has successfully completed its participation in two European projects to give greater visibility and strengthen its leadership in the implementation of programmes related to energy vulnerability, as well as to learn from good practices in other European countries and network with entities of various kinds. These two projects were initiated three years ago and are: SocialWatt, which aims to help energy companies comply with the European Directive on energy efficiency through the design and implementation of action plans against energy poverty and the monitoring of these, and EPIU Getafe, which involves development of a new system for the smart detection of cases of energy vulnerability, with special emphasis on hidden energy poverty. The Naturgy Foundation is part of these European consortia, with the implementation of specific action plans.

The processes used to monitor the Plan's measures have been as follows:

- › In the case of the Energy Rehabilitation Solidarity Fund, an audit is conducted every year of the rehabilitations performed, checking that all the planned actions have been carried out.
- › Joint monitoring committees have also been set up, as well as a continuous dialogue with the entities with which agreements are signed to monitor compliance with the agreements, to continue improving and to make the necessary modifications to the processes.
- › In the case of the Energy School and volunteering, user satisfaction surveys are carried out to check the usefulness of the sessions and to make modifications if necessary.

To ensure the correct progress of the Vulnerability Plan, annual indicators and goals up to 2025 have been incorporated into the company's Sustainability Plan.

The measures carried out this year, in line with the actions of previous years and thanks to the feedback received both from the organisations and the users of the school, volunteers and users of the volunteer activities, have demonstrated that the actions have been effective and help alleviate energy vulnerability.

In relation to the lessons learnt, from the volunteering side, we have identified that the energy advice workshops given to vulnerable people should be expanded to the general population, as the knowledge of energy bills and how to save energy at home is necessary for the whole population. All kinds of civil society organisations, from residents' associations to federations of associations, have asked us to organise this type of workshop. We have also identified that the population is still rather uninitiated in understanding the bill and do not understand the concepts that appear on it.

Participation in both studies and European projects has made it possible to make the lessons learnt in the Vulnerability Plan explicit and bring them to the attention of other entities and companies, as well as the European Commission itself.

The installation of renewable energy sources for vulnerable groups has provided with many lessons learnt, highlighting the administrative management and the need to improve procedures, currently too cumbersome, for obtaining licences, deadlines and subsidies for these groups.

Also, obtaining the discount rate still requires assistance for vulnerable families due to the difficulty of the procedure, which, despite some improvements, both in the process and in the documentation, is still complicated for families. It is also necessary to speed up the arrival of technology and the different possibilities for improving housing for these groups, which normally take longer to reach or are never reached at all.

In terms of stakeholder participation, all the actions and measures we carry out to help alleviate vulnerability have been designed from the outset taking into account the needs of social entities, vulnerable people and the social services of the public bodies with which the Foundation collaborates. In addition, ongoing dialogue has been established with all these participants to know how their needs are changing and to be able to adapt the actions and measures of the Plan to the current reality. The seminars organised both to present the studies and to delve deeper into the problem of energy vulnerability provide a space for relations and action with stakeholders, including groups of vulnerable families, third sector entities, public administrations at local, regional and state levels and the university, as well as other energy companies.

Main actions in the field of customer service

The customer area is key in the identification of this group with the aim of reinforcing the company's customer service channels for vulnerable customers and the social entities that support them.

In addition, Naturgy has another specific service for third sector entities. Through this channel, NGOs and social entities can also streamline procedures and carry out formalities, as well as receive advice on their users' contracts.

In this regard, Naturgy has had a dedicated channel for social services and the third sector for more than six years. In 2023, it responded to 1,059 calls and 1,165 emails from the third sector, as well as 601 calls from social services. It has also reinforced the email channel to handle requests from social entities and the call centre. These channels can be used to carry out all the necessary procedures regarding vulnerable customers' contracts in order to optimise them or to consult any queries regarding consumption, bills or tariffs. 68,628 calls were received and 75,355 emails from vulnerable customers were handled.

This channel allows for rapid identification of vulnerable households. The social services contact the marketer and the company takes measures to protect these customers. Likewise, in addition to identification, they can carry out various procedures to optimise the contracts of these customers, such as transfers to the regulated marketer, power adjustments, processing of the discount rate or debt instalments with more advantageous conditions than for other customers. In addition, identification of a vulnerable customer means that debt follow-up actions are halted and that they are monitored on a more continuous basis.

Likewise, in compliance with RD 897/2017, which regulates the figure of the vulnerable consumer, the discount rate and other protection measures for domestic electricity consumers, each week Naturgy sends the list of electricity supply points to which payment has been requested to the authorities in each autonomous community. This enables the autonomous administrations to be aware of situations of non-payment so that the appropriate measures can be adopted.

As for the discount rate, Naturgy has closed the year with 190,891 customers to whom the lower electricity bill regulated by the Government aimed at households considered vulnerable due to their socioeconomic situation applies.



Energy vulnerability in Latin America

Argentina

In Argentina, vulnerable customers are identified by the public administration, according to criteria based on family income, registrable assets, social assistance, disability, etc. The State creates a register of customers who should receive tariff subsidies, classified into different levels, with the most vulnerable segment being Social Tariff customers located in cold areas (also defined by the State).

The billing system complies with the provisions of PEN Decree No. 332/2022, which promotes the creation of the Registry of Access to Energy Subsidies (RASE), under the orbit of the Undersecretariat of Energy Planning of the National Secretariat of Energy. As of June 2022, this regulation established a regime for the segmentation of subsidies to residential users of electricity and natural gas services through the network, with the aim of achieving reasonable energy prices that can be applied according to criteria of fairness and distributive equity.

Each month, the distributor receives the register of subsidy beneficiaries. The file is processed so that the company's systems can properly identify the supply points subject to this special pricing and issue the subsidised bill according to the level assigned by the administration.

Brazil

In Brazil, vulnerable clients are registered in one of the government programmes for low-income citizens in vulnerable situations, the “Minha Casa Minha Vida” programme or the “Morar Carioca” programme.

The customer submits to the distribution company a series of documents proving that they meet the requirements to be a beneficiary of the social tariff for piped gas. The social tariff offers a discount on the first two consumption brackets of the current tariff table.

Beyond the discount on the bill, the management of vulnerable customers is the same as that of other customers in terms of collections, supply cuts or supply point management.

Mexico

In Mexico, vulnerable customers are considered to be those people over 60 who live in areas considered socially marginalised given the value of the properties in which they reside and who consume an average of 20 m³ of gas per month. For these customers, who numbered 13,698 in 2023, the company applies a lower tariff for their consumption.

3. Relation with communities

Naturgy understands Corporate Responsibility (CR) as the set of actions developed to establish stable, solid and mutually beneficial relations of trust with its stakeholders and with the regions in which it carries out its activities.

Naturgy's CR Policy establishes the common framework for action that guides the company's socially responsible behaviour. Therefore, the Policy's main aim is to establish the principles of action and commitments with its stakeholders, in line with the company's strategy. One of the 8 commitments defined by the Group is social commitment. It establishes that Naturgy is committed to the economic and social development of those regions where it carries out its activities, providing expertise, management capacity, as well as allocating part of its profits to social investment.

Similarly, Naturgy's Human Rights Policy includes respect for communities and the improvement of their living conditions; compliance requires the assessment of the social impact of the company's activities and the definition of initiatives and programmes that manage the social impacts identified in the surrounding communities. During 2023, Naturgy has not recorded any case of violation of the rights of indigenous peoples in any of the geographies in which it operates.

The company has a Social Relationship Model (SRM) that emanates from the CR Policy and which materialises the social commitment that Naturgy acquires in the territories in which it operates. The description of the model is detailed in the "Stakeholders" chapter of this report.

Social management in Spain

During 2023, work has been carried out on the implementation of the SRM in several territories in Spain, specifically in the Canary Islands, Andalusia, Extremadura, Castilla La Mancha, Castilla y León and Galicia.

For this deployment, a social management team has been formed with local-level specialists in order to maintain a close and permanent relationship with the neighbours of the projects we develop, creating two-way communication links and trust.

Social managers work both at their desk and out in the field. Their work consists of informing, resolving doubts about the project, gathering information from the territory through participatory processes, and ensuring the proper implementation of the SRM, in coordination with Naturgy teams, local agents and stakeholders (neighbourhood communities, associations, local government, third sector entities and others).

The following is a breakdown of the main lines of action carried out in the aforementioned territories:

Social management in Andalusia

- › Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- › Thanks to the partnership with Naturgy Foundation and AEE (Asociación Empresarial Eólica), a subsidised training course on wind maintenance for Vocational Training teachers has been proposed, benefiting up to 6 teachers in Andalusia.
- › 27 Training grants to attend the summer course on Renewable Energies at the International University of Andalusia and for the course at the University of Almeria.
- › Environmental awareness and education programme.
- › Purchase of 100 kg of solidarity honey from the beekeeper who has his hives in the reserve area of the facility, to be donated to the social services of Tabernas and the province's Food Bank.
- › Contribution to a local disability association by means of instruments for a music therapy workshop run by the association.
- › Participation in conferences to promote young rural talent (Opportunity Morning Rural).

Social management in the Canary Islands

- › Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- › Detection of positive externalities of a social nature and contribution to the NextGenerationEU grant calls for facilities.
- › Awareness-raising action together with IES Villa de Firgas for the making of the documentary film belonging to the EduCinema Clima Tour Action Project financed by the Erasmus+ Programme.
- › Alliance with the Agüimes Town Council to combat the security problems caused by acts of vandalism in and around the area of the facility.
- › Organisation of the 1st Technical Conferences on Offshore Wind Energy (roadshow) held in Tenerife and Gran Canaria.

Social management in Castilla La Mancha

- › Educational and awareness-raising visits to the facilities with local stakeholders (schools and local associations).
- › Production of a social engagement video with the collaboration of local stakeholders to raise public awareness.
- › Alliances with Local Action Group ADASUR (lending the Bolarque museum for a workshop), Town Councils (materials) and other stakeholders (livestock farmers and landowners).
- › Support for the closure of local initiatives to be included in the externalities section of the IDAE's call for aid for hybrid storage projects.

- › Collaborations with training centres: teacher training at Naturgy's facilities, donation of materials and machinery and the possibility of training internships.
- › Working group of municipalities around PV Zorita I and II: training and employability plan and dynamisation and support for the local economy and other actions.

Social management in Castilla y León

- › Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- › Alliances with the Local Action Group and local councils to promote the SRM.
- › Win Win Lab itinerant activity in the towns of Castromonte, Medina de Rioseco, Cuadros, La Robla and Espinosa de la Ribera.
- › Public information days in Cuadros, Campo y Santibáñez, Lorenzana and Carbajal de la Legua.
- › Organisation of a 60-hour course for photovoltaic installers at the Virgen del Buen Suceso Vocational Training School in La Robla.

Social management in Extremadura

- › Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- › Production of a social engagement video with the collaboration of local stakeholders to raise public awareness.
- › Participation in round tables, communication events to inform public opinion of the importance of the company's deployment model in the region, as well as the progress of the works initiated.
- › Intermediation on overgrown pastures in the photovoltaic plant Las Jaras for the prevention of fire risks in the area.
- › Nomination, organisational support and dissemination of the Eolo award for the project that best promotes and implements Rural Wind Integration.
- › Provision of a photovoltaic facility for self-consumption on the roof of the Virgen del Puerto Sanctuary in Plasencia.

Social management in Galicia

- › Educational and awareness-raising visits to the facilities with local stakeholders (primary and secondary schools, vocational training, universities and local associations).
- › Production of a social engagement video with the collaboration of local stakeholders to raise public awareness.
- › Support to land management in specific incidents.
- › Meetings with mayors and local communities in the municipalities affected by the facilities to inform, listen to their needs and propose possible actions.

- › Participation in calls for aid for repowering and storage: improvements to social, cultural, educational, heritage and connectivity services.
- › Enhancement of the As Encrobas lake, restoration of the old mine and assessment of the transfer of land to the Cerceda Town Council.
- › Collaborations to improve the infrastructures and social and environmental services in the surroundings of the facilities (roads, social premises, footpaths, hydrogeological studies).

Social management in the international arena

Social management in Australia

In 2023, GPG's largest business development has taken place in Australia with the start of construction of 3 wind farms, a solar PV plant, the entry into operation of another wind farm (Beery Bank II) and the commissioning of the company's first battery storage plant. This intense activity has been accompanied by the development and implementation of a specific Social Relationship Model, which starts in the project development phase and continues during operation, revolving around permanent communication with the most relevant stakeholders in the environment.

Some of the most outstanding initiatives of these programmes have been:

- › Actions for community benefit. Actions with the participation of the neighbours: collaborations in community events, such as the Smoking ceremony, the Community open Day, the collaboration with the Melbourne Royal Children Hospital or the sponsorship of festivals in the Crookwell 2 area.
- › A person specifically appointed to take charge of the community involvement programme and to set up a community engagement committee for each project.
- › Training and internship programmes.
- › Scholarship programme with several universities.
- › Project website.
- › Newsletters, press releases and local print ads.

Social management in Mexico

The company collaborates with local communities on an ongoing basis, with the following initiatives, broken down by facility, being of particular note:

- › **Bíi-Hioxo wind farm:** Several donations of materials and vouchers for social work targeted at the vulnerable population of the surrounding communities; support through the donation of vouchers to the cooperatives of the fishing sector of the Seventh Section; rehabilitation of roads, sanctuaries and sports infrastructure; maintenance, adaptation and acquisition of materials for the Community House located in Séptima Sección, in Juchitán; repair of the Fire Department ambulance; construction of a classroom in the bilingual school 5 de septiembre with the aim of preserving Zapotec and other indigenous cultures.

- › **Tuxpan III and IV combined-cycle power station:** The deployment of the engagement plan with the communities located along the state highway “Carretera de los Kilómetros” from kilometre point 0.000 to 16,000 continues, developing activities such as the Xalag Chuchut School, or various initiatives to strengthen the Nakú Kayám Camp of the Villamar Sea Turtle.
- › **Durango combined-cycle power station:** Of particular note is the collaboration with the Bebeleche Museum, the Adopt a School Programme and support for the Area for the Care of People with Disabilities.
- › **Naco Nogales combined-cycle power station:** The plan to support the communities around this 300 MW power station, near the city of Agua Prieta (Sonora), focuses on education and protection of the educational community. This year, they have carried out various training and updating initiatives for youth volunteers, workshops on guidance and life projects especially aimed at students, as well as support for the high school canteen.
- › **Hermosillo combined-cycle power station:** The rehabilitation of roads and irrigation channels in Ejido La Manga, participation in the Adopt a School programme, with the contribution to the La Cholla primary school and the CECYTES high school, and team building initiatives with collaborating companies, volunteers and the workers themselves.

Social management in Brazil

During 2023 the company continued implementing the Quilombola Basic Environmental Project (QBEP), associated to the Sobral I photovoltaic plant (30 MW) in the municipality of São João do Piauí (Piauí, Brazil), in order to create shared value and to have a positive social impact in the territories of Riacho dos Negros and Saco/Curtume. For the development of the QBEP, a close and ongoing relationship has been maintained with the community and local authorities, to identify, design and implement actions to promote economic and social development in the region. The project has various lines of action, which include a series of specific actions of which the following have been implemented:

- › Recovery of infrastructures in the territory for community use, such as water pumps and public lighting.
- › Launch of a productive project based on beekeeping production in the territory.
- › University and technical study grants.

Social management in the Dominican Republic

The social initiatives highlighted in the Dominican Republic are related to:

- › The donation of electronic equipment and materials and services for the creative workshops of Canillitas con Don Bosco.
- › The repair of the Fire Department truck of the municipality of Pedro Brand.
- › The lighting project for the main road to prevent accidents and minimise the risk of vandalism.

Social management in Chile

Cabo Leones II wind farm, through its territorial community relations management area, has a dynamic working tool to formally and sustainably engage with communities over time. Its design considers annual applications for financing social projects.

In the solar photovoltaic plant of San Pedro I&IV, the commitment to collaborate with the “Centro de Interpretación del Desierto y Energías Renovables” to be developed by Parque Eólico Los Vientos S.A. was established in the Exempt Resolution No. 260. This collaboration consists of the conditioning of a room of the Centre through the mural decoration (four murals), the visual projection on two screens or TV murals and two photovoltaic modules. The Centre’s management accepted this material on 7 July 2023.



4. Sponsorship, social action and volunteering

Sponsorship activity

Beyond its business activity, Naturgy collaborates with society through cultural, social, environmental and sustainability programmes. Its financial contributions strengthen the company's interest in being a positive part of each community and country where it does business.

This commitment is materialised in sponsorship and donation actions, whose activity and processes are defined with total transparency in the company's General Procedure of Sponsorship and Donations. The main lines of action are:

- › **Education, training and development:** collaboration with entities dedicated to promoting and training young people.
- › **Environment and sustainability:** collaboration with institutions dedicated to the preservation, conservation and rehabilitation of the environment, and also with entities that carry out educational and corporate volunteering activities on sustainability, energy and the environment. For example, support for the Group for the Rehabilitation of Native Fauna and their Habitat (GREFA), collaboration with Bosquia for the creation of a forest and collaboration with the International Foundation for the Restoration of Ecosystems (FIRE).
- › **Artistic and musical culture:** in the field of cultural sponsorship, the promotion of music, art and education is of particular importance. In 2023, Naturgy has continued its collaboration with the Gran Teatre del Liceu and the Teatro Real.

Social action

Naturgy's social action activities are mainly focused on the geographical areas where it is present. In these areas, the company deploys its activities based on the contextual situations and the particular needs of the people who live there, especially those in situations of vulnerability.

The most pressing issues identified by the company push for greater awareness of environmental care and the use of energy resources, as well as for social action with young people or groups in vulnerable situations. Accordingly, Naturgy carries out initiatives in energy, efficient use and safe management of water, electricity and gas.

Volunteering

Naturgy's corporate volunteering is another key part of the strategy followed by the company in its commitment to people and the environment. Its programme is structured in three areas: energy, social and environmental. Over the course of 2023, 908 employees from Spain, Mexico, Panama, Brazil, Argentina, Chile and the Dominican Republic spent more than 21,586 hours on corporate volunteering with their companions.

Globally, 87 initiatives of a one-off, temporary or continuous nature, 33 social volunteering actions, 22 environmental volunteering actions and 32¹ energy volunteering actions, with the participation of 3,291 volunteers, were carried out. The number of beneficiaries dealt with amounted to 33,387 in 2023.

⁽¹⁾ Sólo en España.

Energy volunteering continues to consolidate. Online energy advice workshops have continued and has been a return to face-to-face workshops, where the most vulnerable people are given advice to help them reduce their energy bills. A training itinerary has been developed for students with intellectual disabilities, which lasts the whole school year.

In 2023, 22 activities have been carried out to care for the natural environment, five of them in Spain, four in Argentina, nine in Mexico, two in Panama, one in Chile and one in the Dominican Republic. Among the activities carried out, the volunteers planted trees and bushes to improve the selected habitats, removed invasive species and, collected waste, built nest boxes and insect hotels and learnt how to ring birds, among other actions that completed the environmental volunteering activity of the year. In most of the activities, time is dedicated to training and on raising volunteers' awareness on the themes worked on in each activity.

Various initiatives have also been launched to mark Volunteers' Week, some of which have been based on previous activities and others newly created; some of them include solidarity energy kilometres, which has spread to the main countries in which the company operates, training sessions on current energy issues, the energy game league and motivational talks and workshops to encourage volunteer action. The "Wise Man for a Day" activity has expanded and this year we have collaborated with 6 organisations in 4 different cities, Madrid, Barcelona, Valencia and Malaga.

With the aim of showing vocational training students what Naturgy is like from the inside and motivating them to continue their studies, the sixth edition of the volunteer coaching activity has been held with absolute success for the fourth consecutive year, and the mentoring activity - which was so successful in 2022 - has been held again. Proof of this is that a new activity of mentoring for talented kids. Volunteers act as mentors or coaches in one-to-one sessions with students, giving them an inside look at the company, simulating a job interview and drawing up an action plan.

In 2023, 22 activities have been carried out to care for the natural environment, five of them in Spain, four in Argentina, nine in Mexico, two in Panama, one in Chile and one in the Dominican Republic.



Solidarity Day

In 1997, Naturgy employees created this association, which involves participants voluntarily donating a one-day fraction of their annual salary to projects targeted at promoting education and teaching children and young persons in those countries in which the company operates. For the Solidarity Day event, the company donates an amount equal to the amount donated by employees and assumes all management costs, so that 100% of the amount raised can be used for the annual selected project. Close to 941 employees around the world took part in the initiative.

In 2023 these employees donated Euros 172,837 of their salaries and the company made an additional matching contribution, as well as assuming the costs of managing the association. Since its inception, Solidarity Day has raised Euros 3.6 million in employee donations and an equal amount contributed by the company.

This year, Solidarity Day financed the education of 2,268 school, technical and university students as part of the ordinary projects being implemented in Argentina, Brazil, Spain, Mexico, Moldova, Nicaragua, Panama, Chile and Portugal.

In addition, the association continued to donate computers no longer required by employees and which are in perfect working condition. These computers go to organisations and schools that use them to reduce the digital gap for the most vulnerable people. To date, more than 1,000 computers have been donated to more than 40 entities in Spain, Chile, Panama and Portugal.

5. Naturgy Foundation

The Naturgy Foundation is present in the countries where the company operates. Its functions include the dissemination, training, information and awareness-raising of society on energy and environmental issues through programmes related to the business and academic environment. It also develops social action programmes aimed primarily at alleviating energy vulnerability.

Dissemination of information and awareness-raising in society

Over the years, the Foundation has carried out various initiatives aimed at promoting debate on the energy sector, its current situation and its near future. Speakers of recognised national and international prestige have taken part in these. This year a total of 6,154 people attended.

The balance of the year's activities is as follows:

- › High-level Energy Perspectives conferences, a joint initiative of the Naturgy Foundation and IESE Business School.
- › Conferences organised jointly with the Spanish Chapter of the Club of Rome.
- › Annual conference on geostrategy and energy together with the Real Instituto Elcano.
- › Annual conference on the situation of the energy sector with the Cercle d'Economía.
- › Annual conference on research and innovation in the energy sector with the Spanish National Research Council (CSIC).

Among the activities related to the dissemination of energy-related content, the presentation of books, studies and reports published and edited by the Foundation and prepared by experts in the field worldwide is particularly noteworthy. Online events enabled us to host webinars and presentations, both accompanied by summary videos that facilitated an approach to the publication in a simple way, with the main conclusions explained by the authors. These webinars were attended by more than 2,500 people.

Naturgy Foundation-CSIC Award for Research and Technological Innovation in the energy field

In 2023, the Naturgy Foundation launched the first edition of the 'Naturgy Foundation-CSIC Award for research and technological innovation in the energy field', with a prize of 100,000 euros for the best project in Spain developed by research groups attached to public or private non-profit organisations.

The initiative aims to focus on innovation as one of the main axes of the energy transition and to advance in the decarbonisation of the economy in our country.

The projects submitted had to be unpublished projects, research in progress or recently completed, and whose innovative potential was likely to be incorporated into the market or to generate value in society.

In this first edition, 18 eligible proposals were received. These had been developed by 11 universities, five research institutes and two non-profit foundations, based in nine autonomous communities. The proposals were evaluated by a scientific commission, coordinated by the CSIC and a jury of experts.

The project of the Bioeconomy Institute of the University of Valladolid (IB-UVA) on CO₂ capture and reduction was the winner of the 1st Edition of the Award.

“Women’s employment in the Just Transition in Spain” Study

This study, which provides the first complete diagnosis of the situation of women in the energy transition labour market based on real data, was published in 2023. It shows that female employment has grown at a much faster rate than male employment in the energy transition sub-sectors, although these results are linked to a previous low presence of women. However, the experts’ conclusion is clear: developments over the last decade are positive, but still too slow.

Education and outreach

The Naturgy Foundation promotes innovative educational programmes based on the United Nations Sustainable Development Goals, which explore the new energy technologies with the objective to transmit specialised knowledge regarding the transition towards a new energy model, the preservation of the environment, sustainability and responsible energy consumption.

The training proposal of the Naturgy Foundation, with constantly updated contents, is developed by professionals specialised in each of the technical subjects as well as in the didactics of STEM disciplines and has the recognition of the competent administrations and institutions in the field of energy, education and employment. As a result, these contents are considered as a reference in the field by the educational community and of value for the promotion of employability.

Educational actions of the Foundation are developed as a priority where there are specific needs of both society and Naturgy businesses. The Naturgy Foundation thus supports the commitments and actions of social relationship that the company acquires and that, with the education and training projects, allow the company to attend more directly to the citizens in the territory; providing value, commitment and tangible results that directly impact people and generate a positive social impact. Since its launch in 2019, the Foundation’s education action has benefited more than one million people.

The main training programmes are Efigy Education and the Vocational Employability Training Programme.

Education and outreach in figures

	2023
Total beneficiaries	184,347
Efigy Education Programme	113,680
Vocational Training for Employability Programme	34,013
Outreach actions	1,325

Efigy education

Innovative didactic project with resources to be carried out in the classroom and independently. Aimed at all educational levels from 3 to 18 years of age, it seeks to increase STEM vocations in the energy sector from an early age and guaranteeing gender equality.

It is aligned with the Just Transition Strategy and the Environmental Education Action Plan of the Ministry for Ecological Transition and the Demographic Challenge (MITECO) and the teaching resources are endorsed by the Ministry of Education, Vocational Training and Sports, the Spanish Foundation for Science and Technology (FECYT) and the Spanish National Research Council (CSIC), as well as by the Education Departments of the competent public administrations and various social agents.

During 2023, the Naturgy Foundation worked to continue to be a benchmark for the educational community, complementing the educational work of public administrations, offering training solutions and developing numerous new, high-quality teaching resource.

It includes different programmes:

Efigy Education in the classroom

Roadshows given by specialised educators to understand new energy technologies and the value of the transition towards a new, more sustainable and fairer energy model. In 2023 the initiative had more than 23,000 beneficiaries in the autonomous communities of Catalonia, Valencian Community, Galicia, Castilla y León, Castilla-La Mancha, Community of Madrid and Extremadura.

Efigy Education Digital

Digital programme available to all educational centres that brings together all the educational resources that support teachers in Primary, Secondary and Vocational Training on topics such as energy transition, circular economy, sustainability, efficient building, energy efficiency, air quality and new energy technologies, among others. In 2023, there were more than 10,000 accesses to the educational applications, 156,841 views of informative videos and 40,036 accesses to the landings.

Efigy Girls

An initiative to support female talent in order to promote technological vocations, through the sponsorship of twelve teams made up of girls aged between 10 and 16. During 2023, the Naturgy Foundation has maintained its membership of the STEAM Alliance for Female Talent, promoted by the Ministry of Education, Vocational Training and Sports with the aim of promoting scientific vocations among girls and young women.

Efigy Planet

Interactive, didactic and innovative tool, based on gamification and aimed at the primary education community. It aims to make teaching about energy easier for teachers, facilitating the extension of curricular contents through an innovative educational resource based on *blended learning*.

Efigy Technology Competition

Initiative aimed at students in the 3rd and 4th year of Compulsory Secondary Education throughout Spain. Its aim is to promote the values of energy efficiency and encourage technological vocations from an early age by solving a challenge that contributes to improving the planet through energy efficiency. The fifth edition was held in 2023, with the participation of more than 1,000 students from 11 autonomous communities.

Guided tours of facilities

Guided tours of Naturgy's power generation facilities with the aim of sharing with society the company's commitment to an ecological and socially just transition. The activity allows visitors to discover the peculiarities of the operation of a power generation facility, its close relationship with the environment and the different professional profiles needed to carry out the operation of the power stations, as well as their skills and competences. In 2023, more than 2,600 visitors from different associations, companies, students from primary education, secondary education, university education and vocational training took part.

Guidance and mentoring activities

Tool to understand and meet the demands of young people, fostering the attraction of talent to the energy sector and the development of technological vocations among students of all ages. The Naturgy Foundation brings the education system and work experience closer together through training stays in companies and institutions and informative conferences.

Experience in awareness-raising and technology dissemination

Initiatives to contribute to the dissemination of technological and scientific culture in the field of energy among citizens, transmitting the values of energy efficiency, sustainability and the preservation of industrial heritage.

During 2023, the Naturgy Foundation **worked to continue to be a benchmark** for the educational community.

Vocational training for employability

In the context of a just and inclusive energy transition and the technological development needed to implement it, technical vocational training (VT) in energy is key to transferring the necessary knowledge and responding to the demands of the sector, promoting the improvement of employability. The so-called green jobs are already a reality and curriculum content must be balanced with the current and future needs of companies in the energy sector.

The Naturgy Foundation, through this programme aimed at improving the employability and retraining of professionals in the energy sector, works to provide professionals and/or future professionals with access to quality training content.

Together with the General Secretary of Vocational Training, the Ministry of Education, Vocational Training and Sports and the Ministries of Education and Employment of nine Spanish Autonomous Communities, the Naturgy Foundation works toward promoting Vocational Training, with actions such as updating curricular content, with experts in each field and giving free courses, aimed at vocational training teachers and trainers and at active and unemployed professionals.

The training courses provide training and certification of up-to-date technical knowledge in the areas of sustainable mobility, rehabilitation and sustainable building, renewable gases, digitalisation of electricity grids, energy advice in vulnerable environments, installation and maintenance of photovoltaic panels, and green and digital gas networks, among others.

The training is complemented with e-learning courses developed in collaboration with the Open University of Catalonia (UOC), as well as the theoretical-practical publications “Vocational Education and Training in Energy. Vocational training for employability”.

The training proposal of Naturgy Foundation is aligned with the Just Transition Strategy, and has the recognition and collaboration of the Ministry of Education, Vocational Training and Sports, the competent administrations in education and employment of nine autonomous communities, the State Public Employment Service (SEPE), the State Foundation for Employment Training (FUNDAE) and the National Institute of Qualifications (INCUAL).

“Sustainability applied to the production system” module

Naturgy Foundation, with the support of Naturgy’s Environment and Social Responsibility Department, was the institution designated, thanks to the trust placed in it by the MEFPD, to create the learning outcomes of the new “Sustainability applied to the production system” module included in the Organic Law on the Organisation and Integration of Vocational Training, which will form part of the basic curriculum common to intermediate and advanced training cycles.

The module aims to understand the environmental, social and governance challenges facing society, offering tools to designing a sustainability plan, integrating sustainability in professional development and acquiring basic skills in green economy, sustainability and the environmental impact of production processes in the corresponding sector.

It has also developed the educational materials and contents to train teachers from all over Spain who will have to teach it from the 2024-2025 academic year onwards. During 2023, two editions of the teacher training course were held, given by professionals from the sector.

Summary of activities in 2023

- › Addition of new technical training courses to the catalogue: Vocational training in the installation and maintenance of photovoltaic panels and vocational training in sustainability applied to the production system.
- › Ten training courses on: sustainable mobility, building and rehabilitation, renewable gases, energy consultancy in vulnerable environments, digitalisation of electricity grids, gas grids: green and digital, sustainability applied to the production system, installation and maintenance of photovoltaic panels and maintenance of wind farms. A total of 32,137 beneficiaries, both teachers and students, joined the programme.
- › Launch of new volumes of the collection of theoretical-practical books “Vocational Education and Training in Energy”. Vocational training for employability on the digitalisation of electricity grids and sustainability applied to the productive sector.
- › Two scholarship editions in e-learning mode certified by the Universitat Oberta de Catalunya and the Naturgy Foundation on renewable gases and digitalisation of electricity grids have been held.
- › Launch of the first professional training course on photovoltaic installations aimed exclusively at unemployed women, in collaboration with the Institute for Just Transition and the Platform for Green Jobs. The 210-hour theoretical and practical training has enabled 40% of the participants to find employment in the sector.
- › Joining the Alliance for Dual VT to boost technical training in the field of energy. The Alliance is an initiative promoted since 2015 by the Bertelsmann Foundation, the Princess of Girona Foundation, CEOE and the Spanish Chamber of Commerce.

Vocational training for employability in figures

	2023
Total beneficiaries	34,013
Educational centres in Spain linked to the training programmes	468
Hours of training provided	560
Agreements and certifications with autonomous regions	9
Employment rate in vocational training (%)	40



Ten training courses on: sustainable mobility, building and rehabilitation, renewable gases, energy consultancy in vulnerable environments, digitalisation of electricity grids, gas grids: green and digital, sustainability applied to the production system, installation and maintenance of photovoltaic panels and maintenance of wind farms.

About this report

For the preparation of this **2023 Sustainability Report and Non-Financial Information Statement**, Naturgy has used as reference the standards of the Global Reporting Initiative standards (known as GRI Standards) and the Sustainability Accounting Standards Board (SASB), and has taken into account the requirements of Law 11/2018 on non-financial information.



10.

About this report

This Sustainability Report and Statement of Non-Financial Information forms part of the Directors' Report and the Consolidated Directors' Report of Naturgy Energy Group, S.A. and subsidiaries for the 2023 financial year. It is subject to the same approval, deposit and publication criteria as these reports and has been verified by an independent verification service expert. By issuing this report, Naturgy Energy Group, S.A. complies with the provisions of Article 262 of the Corporate Enterprises Act and Article 49 of the Commercial Code as amended by Law 11/2018 of 28 December on non-financial reporting and diversity, which transposes Directive 2014/95/EU into Spanish law.

Materiality focus

For the preparation of this 2023 Sustainability Report and Non-Financial Information Statement, Naturgy has used as reference the standards of the Global Reporting Initiative standards (known as GRI Standards) and the Sustainability Accounting Standards Board (SASB), and has taken into account the requirements of Law 11/2018 on non-financial information.

The company considers that the report has been prepared with reference to the GRI Standards and has applied the universal GRI 3 standard "Material Topics 2021", which provides guidance on the identification of material topics. In addition, Naturgy has applied the GRI 11 sectorial standard: Oil and Gas Sector 2021 to identify those specific material aspects of this sector in which Naturgy performs part of its business activity.

Process of determining material topics

Every year, Naturgy identifies potential and actual impacts, negative and positive, on the economy, the environment and people, including impacts on human rights in all activities. To do this, it uses the Datamaran® tool.

Datamaran® has a preliminary identification of aspects (topic mapping) which ensures that the determination of material topics is based on a complete description of the potential impacts a company has on people and the environment.

Besides, this tool provides the following advantages:

- › **Data-driven materiality analysis:** Datamaran® is software that enables a comprehensive, data-driven process for monitoring external risks, including Environmental, Social and Governance (ESG) risks. The software technology provides real-time analysis of strategic, regulatory and reputational risks and opportunities. Its use strengthens understanding of ESG, geopolitical, technological and emerging issues, ensures alignment with the different expectations of internal and external stakeholders, and enhances the company's ability to monitor its evolution.

- › **Dynamic materiality based on diverse sources:** the analysis takes into account information published by different companies from all sectors in their annual corporate reports, introduces into the analysis both mandatory regulations and other voluntary policy initiatives, as well as information published in traditional media and social networks. The analysis has focused on issues that experienced an increase in relevance and on the stakeholders (peers, industry, regulators, general public) that were behind this increase. This analysis, carried out regularly throughout the year, makes it possible to monitor issues that are in the process of materialising, based on a dynamic materiality perspective.
- › **General issues map adapted to Naturgy's reality:** the 21 issues assessed in the materiality analysis have been built from an exhaustive map of 98 topics (topic mapping) included in the tool itself, so that all emerging issues of interest are taken into account in the diagnosis

As in 2022, in 2023 Naturgy has anticipated the requirements of Directive 2022/2464 of 14 December 2022 on corporate sustainability reporting and the delegated regulation supplementing as regards sustainability reporting standards (applicable for the 2024 reporting year), and has adopted a dual materiality approach integrating two complementary perspectives:

- › **Inside-out view (hereafter impact materiality):** analyses how the company's activity impacts on the environment and society and how this impact is perceived by the different stakeholders.
- › **Outside-in view (hereafter financial materiality):** analyses how sustainability issues affect the company's performance, how they can affect value creation and how these issues are perceived by financial stakeholders.

The diagnosis has taken into account the following information sources: the sustainability and financial reports of 125 energy companies operating in the main countries where Naturgy operates; nearly 2,600 regulatory initiatives, both mandatory and voluntary, applicable to the following sectors of electricity and gas utilities and electricity generators, and more than 11,000 news articles. All of this in the main countries where the company operates.

In the methodology used, financial reports as well as regulatory and mandatory regulations are considered as representative sources to incorporate investors' and shareholders' expectations into the analysis and provide an understanding of financial materiality.

On the other hand, sustainability reports, news and voluntary regulatory initiatives incorporate issues that are relevant to other stakeholders and facilitate the understanding of materiality of impact.

Naturgy considers that the methodology used, the criteria for selecting the sources consulted and the volume of data analysed ensure that the determination of the material topics has taken into account, in a balanced and representative way, the points of view of the main stakeholders. Once material topics have been identified from both impact and financial perspectives, they are ranked in a matrix that combines both perspectives. In this way, priority has been given to material topics for the main stakeholders and those issues that are also key from a financial standpoint due to their influence on the company's ability to create long-term value.

The process of determining the material topics as well as the outcome of the analysis has been overseen by the Sustainability Committee.

The methodology and the process followed to carry out the double materiality analysis are reviewed by the auditor in charge of verifying the report, who evaluates the adaptation of the process followed to the GRI reference standards.

The results of the materiality analysis are integrated with the group's risk assessment. In the medium to long term, the issues identified as material could become a management risk for Naturgy. See details on risk management in the Integrity and Trust chapter of this report.

List of material topics at corporate level

Naturgy has identified fifteen material topics, which are detailed below:

Relevant issues	
Circular economy and eco-efficiency	Environmental
Occupational safety and well-being of workers	Social
Business continuity	Economic
Cybersecurity and information security	Governance
Climate change and energy transition	Environmental
Diversity and equal opportunities	Social
Biodiversity and natural capital	Environmental
Human rights	Social
Social contribution and participation	Social
ESG investment and financing	Economic

NB: each country has a different prioritisation based on its corporate responsibility agenda.

Under the double materiality perspective, Naturgy considers that, of these ten issues, six of them are material from a financial perspective:

- › Circular economy and eco-efficiency.
- › Occupational safety and well-being of workers.
- › Business continuity.
- › Cybersecurity and information security.
- › Climate change and energy transition.
- › Diversity and equal opportunities.

In relation to the material issues identified in the previous year, fewer material issues have been identified in 2023 as the threshold for considering an issue to be material has been increased. All material issues that have been identified in 2023 were also material issues in 2022.

Management of material topics

Naturgy's management of material topics has been described throughout the different chapters of this report. For each issue, the following have been explained: the positive and negative impacts, real or potential, caused by Naturgy's activity; the commitments, policies and measures adopted to manage each issue and reduce or prevent negative impacts; the initiatives developed to enhance positive impacts, and the effectiveness of the measures through performance indicators.

Next, we identify for each material issue which business line it is most relevant in and in which chapter and/or section of the report the information on its management and performance can be found:



Material issues	Business lines				Risk materialised in the Corporate Risk Map	Management and performance
	Networks	Energy management	Renewables and new businesses	Commercialisation		Chapter and section of the report
Circular economy and eco-efficiency	■	■	■	■	Environment and biodiversity	The opportunity of environmental challenges. Circular economy and eco-efficiency.
Occupational safety and well-being of workers	■	■	■	■	Health and safety/ People	Commitment and talent. Health and safety.
Business continuity	■	■	■	■	Business continuity and crisis management	Business model.
Cybersecurity and information security	■	■	■	■	Cybersecurity/ Data protection	Integrity and trust. Security and privacy.
Climate change and energy transition	■	■	■	■	Climate change	The opportunity of environmental challenges–Climate change and energy transition: TCFD Report.
Diversity and equal opportunities	■	■	■	■	People	Commitment and talent. Interest in people.
Biodiversity and natural capital	■	■	■	■	Environment and biodiversity	The opportunity of environmental challenges–Biodiversity and natural capital.
Human Rights	■	■	■	■	Compliance/ Reputation and ESG /People	Integrity and trust. Compliance.
Social contribution and participation	■	■	■	■	Reputation and ESG	Corporate responsibility–Relationship with communities. Stakeholders of Naturgy.
ESG investment and financing	■	■	■	■	Rating/Interest Rate/Liquidity	Business model. Sustainable finance. Business model. Green Bond.

Material issues from a financial point of view

As indicated above, Naturgy follows a dual materiality approach as a general principle to determine its most important sustainability impacts, risks and opportunities. In this regard, of the ten issues identified as relevant, six are also considered to be material from a financial point of view. In other words, Naturgy believes that their evolution can have a significant impact on the creation of long-term value, and that it is therefore necessary to manage them proactively, to capture opportunities and minimise any risks they could represent.

For each of these we set out below how the company sees these issues as making a particular contribution to long-term value creation.

Circular economy and eco-efficiency

Why is it material?

In the face of limited resources and the need to progressively abandon linear economic models, the production of renewable gases such as biomethane from organic waste or renewable energy surpluses is an excellent example of a circular economy in the energy sector.

Basing the decarbonisation of the economy predominantly on a high level of electrification with renewable energy presents technical limitations in certain energy-intensive sectors. As electrification cannot meet all energy demand, further integration of electricity and gas is an effective solution to achieve decarbonisation goals. The gas grid currently has a high storage capacity, and a level of reach and capillarity that enables large amounts of energy to be transported to where it will be consumed. The development of renewable gases, biomethane and hydrogen is also part of the Just Transition Strategy.

As one of the main operators of basic natural gas infrastructures, Naturgy assumes its leading role as a driving force in the development of the renewable gas value chain.

Business impact

Potential decrease in income and loss of asset value.

Supporting business strategy

The future of natural gas lies in achieving decarbonisation. Naturgy, in its Strategic Plan 2021-2025, sets targets for renewable gases with the implementation of projects in areas of just transition. In addition, Naturgy's circular economy strategy includes initiatives related to water and waste.

Long-term tracking metrics

Production and commercialisation of 522 GWh of renewable gas in 2025.

Continues >

Occupational safety and well-being of workers

Why is it material?

As well as the company's legal responsibility to protect its workers from health and safety risks at work, a safe and healthy working environment represents a standard of ethical conduct. Providing good health and safety conditions in the workplace brings a number of key benefits, such as improved employee motivation and commitment, reduced costs of sick leave and accidents, improved productivity, better reputation and better valuation of the company by stakeholders.

Business impact

Increased costs due to more accidents, lower productivity and higher risk.

Supporting business strategy

Safety Plan 2024-2025 which, through six work networks, focuses on "visible leadership in safety" in the company itself and in collaborating companies, and on evolving the company's safety model to the new forms of work organisation and its associated risks.

Long-term tracking metrics

Maintain frequency and severity rates among own staff in 2025 below 0.12 and 6.15 respectively.

Occupational health and safety performance is part of the metrics assessed in the assessment of employee performance.

Business continuity

Why is it material?

Acting in an essential sector such as the energy sector, operating critical infrastructures to guarantee the continuity and quality of supply and doing so in the current context, marked by the energy transition towards a decarbonised energy model and geopolitical, economic and social crises, shows the need to have a business model capable of facing these challenges and adapting to future needs in such a way that business continuity is assured.

Business impact

Potential decrease in income and loss of asset value.

Supporting business strategy

Naturgy is immersed in a transformation process. The Strategic Plan 2021-2025 lays the foundations for this transformation. The strategy is focused on organic growth, consistent with the energy transition, which leverages opportunistic asset rotation to accelerate the transformation and put its focus on renewables.

Long-term tracking metrics

Total investment of Euros 13,200 million. Estimated Ebitda in 2025 at around Euros 5.1 billion.

Continues >

Cybersecurity and information security

Why is it material?

Naturgy's transformation involves increasing its digital footprint, both in customer relations and in the management of its networks and assets in general. In this context, it is critical to have infrastructures and information systems that are secure and safe from threats. Naturgy is exposed to threats in relation to the availability, confidentiality, integrity and privacy of the information and technology that supports its business processes, as well as to the risk of non-compliance with regulations related to cybersecurity. Such threats include unauthorised access to and use, disruption, modification or destruction of information as a result of terrorist acts, malicious attacks, sabotage and other intentional acts.

Business impact

Potential decrease in revenues and potential increase in costs.

Supporting business strategy

Being a best-in-class operator is one of the company's strategic pillars through the transformation of its operations to simplify and digitise them.

Long-term tracking metrics

Reach a level of 790 points in 2025 in the international BitSight index.

Continues >



Climate change and energy transition	
Why is it material?	In a context focused on an energy model based on renewable energies and a progressive decrease in the use of fossil fuels, the decarbonisation of energy supply is key in the fight against climate change. Naturgy, as a company present in multiple territories, is firmly committed to the fight against climate change. It also represents a strategic opportunity, as energy demand will be redirected towards those sources and suppliers with a less carbon-intensive mix.
Business impact	Potential decline in revenues, loss of asset value, reduced access to sources of finance.
Supporting business strategy	Naturgy's strategy for the coming years focuses on growth that contributes to the energy transition by focusing on renewable projects. The company has an investment target of more than Euros 6 billion on renewables for the 2023-2025 period, which will enable it to increase its renewable capacity to 10 GW of installed capacity. Naturgy's climate action is based on the management and integration of climate change risks and opportunities into the company's strategy. The key lines of action, goals and indicators aim to promote renewable energies, energy efficiency and renewable gas, as well as to offer innovative mobility solutions that contribute to the reduction of emissions and the improvement of air quality in cities.
Long-term tracking metrics	This target for investment in renewables is accompanied by emissions reduction targets across all three scopes so that by 2025 the Group's total emissions will have been reduced by 27% compared to 2017. In addition, Naturgy is committed to achieving zero net emissions by 2050.

Naturgy's strategy for the coming years focuses on growth that contributes to the **energy transition** by focusing on **renewable projects**.

Diversity and equal opportunities

Why is it material?

Having a diverse and inclusive work environment that integrates different perspectives and experiences enriches business management and helps build stronger business cultures that are ready to address future challenges. A diverse and inclusive work environment helps attract and retain the best talent, improves productivity and reduces reputational risks.

Naturgy promotes the professional and personal development of all its employees, ensuring equal opportunities through its action policies and does not accept any kind of discrimination in the labour or professional field.

Business impact

Increased risks, lower productivity.

Supporting business strategy

Naturgy firmly believes in the exponential value of diversity. The more diverse people are and the more the value of this difference in teams is recognised, the better the company will be able to anticipate and adapt to each new challenge. In this context, the diversity strategy is a commitment to the organisation and people to invest in and promote diverse and transformative talent through programmes of integration, recognition and promotion of gender, age, disability and functional diversity.

In the last two years, Naturgy's diverse talent management strategy has focused on advancing the balance of talent by generational brackets and on gender parity. Young talent plays a key role in the company's transformation through hiring programmes such as "Flex & Lead" and talent development like "Internal Lead Talent".

Long-term tracking metrics

Reach a 40% of women in executive and management positions in Spain by 2025. Diversity and equality performance is part of the metrics assessed in the assessment of employee performance.

Materiality of the aspects of Law 11/2018

The materiality analysis has shown that almost all the aspects required by Law 11/2018 on non-financial information are material for the specific activities performed by Naturgy. In this regard, according to the independent review report, this report has met all those aspects required by Law 11/2018 that are material to Naturgy.

Only food waste and light and noise pollution have not been identified as material. Food waste is not a relevant issue for the company because the company's activity is not linked to the food sector and the company does not engage in intensive food consumption. Likewise, the environmental risk analyses carried out by the company have determined that the company does not have a significant or relevant impact on light and noise pollution.

Scope of the information

Introduction to the scope of information

Following the recommendation of the international GRI Reporting standard, for the definition of the coverage of this report Naturgy has taken into account the companies over which it has the capacity to control, those over which it has significant influence and those activities relevant to the Group from the Environmental, Social and Governance (ESG) points of view.

In the Consolidated Financial Report for 2023, specifically in Annex I, the set of companies in which Naturgy has an interest and which form part of the Group's scope is detailed.

Temporary scope

The Sustainability and Non-Financial Reporting Report is published each year and covers a 12-month calendar year. This report covers information relating to 2023

Frame of reference

The preparation of this report considers the following frames of reference, which condition its structure, scope and contents:

- › The financial information published in this report must be consistent with the Annual Accounts, and therefore comply with the provisions of the corresponding Spanish and European regulations.
- › Sustainability, or ESG, information, in application of the provisions of Law 11/2018, is prepared by applying a reporting standard or framework. Naturgy has chosen to use the 'core' option of the GRI Standards, taking into account the depth of this standard, its recognition and universality, and the experience in its application for more than a decade. For this year's report Naturgy has followed the 2021 version of GRI and the sectorial standard 11 of Oil and Gas.
- › In addition, and on a voluntary basis, Naturgy also reports following the international SASB standard, which is part of the IFRS Foundation due to its relevance at international level.

Scope of the report

The financial and non-financial data of Naturgy Energy Group, S.A. and its subsidiaries -the Naturgy Group- (hereinafter, Naturgy, the "company" or the "Group") presented in this report are consolidated and refer to all activities carried out during 2023 as a global gas and electricity operator through the companies listed in Annex I to the Consolidated Report for the year 2023, following these considerations

- › Those indicators that plot progress throughout the year must reflect information on companies outside the consolidation scope due to having been put up for sale except where indicated otherwise in a footnote, while the indicators that represent information at year-end will not include information in connection with such companies.
- › As these are consolidated data, they do not generally include companies consolidated using the equity method (Annex I, sections 2 and 4).

- › Except for the number of employees, the reported information on own staff refers to the countries in which Naturgy operates and where it has established companies with hired staff assigned to these countries and where the company performs centralised management of its human resources policies.
- › With regard to the environment, the disclosures refer solely to those companies or activities that are at least 50% owned or controlled by the company, which have the capacity to influence environmental management and have the capacity to make a significant impact, based on global data.
- › The companies that manage nuclear generation assets are included for the operating figures, but not for the other environmental figures, as these indicators were not available at the time the report was issued.

Scope limitations

Naturgy considers that this report provides a reasonable and balanced reflection of the company's environmental, social and governance performance. If a particular indicator could not be compiled in accordance with the scope of the report, explanatory notes are added at the foot of each table.

Throughout the report, when it is considered to facilitate the interpretation of the data, the scope of each of the indicators shown is specified, as well as relevant variations with respect to the previous year.

Changes to the scope

Changes in the consolidation scope in 2023 compared to 2022 are described in Appendix II of the Consolidated Annual Accounts.

Compliance with benchmark standards

The company has prepared its Sustainability Report and Statement of Non-Financial Information using the 2021 version of the Global Reporting Initiative (GRI) standards and the GRI 11 standard as a reference: Oil and gas sector 2021 to determine material topics. In addition, the company responds in this report to the indicators identified for the "Electric Utilities & Power Generators" and "Gas Utilities & Distributors" sectors by the SASB standards, which are under the supervision of the International Sustainability Standards Board (ISSB).

Naturgy considers that it has prepared this report in accordance with the Principles for the preparation of reports defined by GRI in its universal standard GRI 1 Foundation 2021, which are as follows:

- › **Accuracy:** all the information in the report is necessary and given in sufficient detail for the company's stakeholders to be able to value its performance in an appropriate manner.
- › **Balance:** the report clearly shows the positive and negative aspects of the organisation's performance, which enables a reasonable valuation thereof.
- › **Clarity:** the information is presented in a way that is understandable and accessible. To enable its correct understanding, the use of technical terms is avoided. In addition, it uses graphs, diagrams, tables and indicators to describe the company's most relevant impacts and make it easier to read the document.
- › **Comparability:** the information given in this report is consistent and makes it possible to analyse the evolution of the company performance over time and be compared with that reported by other companies.

- › **Completeness:** the outline of contents have been defined with the help of those in charge of the key management areas of the company. This guarantees that essential aspects and impacts that each activity area of Naturgy has on its environment and on its own business targets have been taken into consideration.
- › **Sustainability context:** the report analyses the company's performance in the context of the social, environmental and economic requirements of its social and market environments. The sections on vision and business model delve specifically into this area.
- › **Timeliness:** Naturgy publishes its Sustainability Report and Non-Financial Information Statement annually, as soon as the information is available, so that the stakeholders have a good understanding of the company.
- › **Verifiability:** the company has in place the information systems and internal controls to collect and analyse information from original sources, and to produce this report in a reliable, accurate and high quality manner for presentation to a third party.

The information on how Naturgy complies with its duty to human rights has been prepared in accordance with the United Nations Guiding Principles Reporting Framework, whose objective is for companies to report all information related to human rights, in line with the United Nations Guiding Principles on Business and Human Rights.

In addition, Naturgy responds to the information requirements derived from the Taxonomy Regulation, Regulation (EU) 2020/852 of the European Parliament and of the Council that establishes a classification system for sustainable economic activities, which defines on the basis of objective criteria what is and what is not sustainable. Naturgy complies with the technical reporting requirements set out in the EU Taxonomy Delegated Acts (EU) 2021/2139, 2022/1214 and 2023/2486 complementing the aforementioned regulation and reports on the degree of eligibility and alignment of its activities according to the European taxonomy for climate change mitigation and adaptation objectives.

Lastly, Naturgy also issues the Green Bond report, which includes the environmental benefit indicators for the year based on the guidelines and procedures for the issuance of green bonds of the Green Bond Principles (accountability published by the International Capital Market Association).

Verification

The integrity, sound and truthful nature of the information given in this report are maintained by the policies and procedures included in Naturgy's internal control systems and their purpose includes guaranteeing the correct presentation of the company's information to third parties.

In these policies and in accordance with the Global Reporting Initiative recommendations, Naturgy commissions an annual verification of the contents of its report by an independent third party. This 2023 report has been verified by KPMG, which reviews the adaptation of the contents of the Sustainability Report and the Non-Financial Information Statement to the provisions laid down in the Global Reporting Initiative guidelines, Law 11/2018 on non-financial information and diversity and the SASB standards.

In addition, the company commissions a verification according to the classification of activities prepared in accordance with the technical requirements defined in the EU Commission Taxonomy Delegated Acts (EU) 2021/2139, 2022/1214 and 2023/2486, which complement Regulation 2020/852 of the European Parliament and of the Council.

As a result of the said process, an independent review report is drawn up to include the goals and scope of the review, as well as the verification procedures used and the corresponding conclusions, which can be consulted in the "Additional information" chapter of this report.

Likewise, the Greenhouse Gas Emissions Inventory for 2023, corresponding to Naturgy's corporate carbon footprint for that monitoring period has been verified by Verico SCE, in accordance with the requirements established in the UNE-ISO 14064 and GHG Protocol standards.

Reporting period, frequency and contact point

Naturgy publishes its Sustainability Report and Statement of Non-Financial Information on an annual basis. This report covers the period from 1 January to 31 December 2023, which matches the reporting periodicity of its Annual Accounts. The report was published on 27 February 2024.

It should also be noted that Naturgy publishes local corporate responsibility reports in some of the main countries where it operates.

Readers can send their questions, queries or requests for information via the corporate website:

<https://www.naturgy.com/inicio>

Annexes

1. Non-financial indicators

EU Taxonomy Report (Regulation 2020/852)

2023 Turnover

Financial year 2023	2023	Substantial Contribution Criteria					
Economic Activities	Code	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Manufacture of hydrogen	CCM 3.10	0	0	Y	N/EL	N/EL	N/EL
Electricity generation using solar photovoltaic technology	CCM 4.01	80	0	Y	N/EL	N/EL	N/EL
Electricity generation from wind power	CCM 4.03	410	2	Y	N/EL	N/EL	N/EL
Electricity generation from hydropower	CCM 4.05	265	1	Y	N/EL	N/EL	N/EL
Electricity distribution and transportation	CCM 4.09	1,751	8	Y	N/EL	N/EL	N/EL
Storage of electricity	CCM 4.10	0	0	Y	N/EL	N/EL	N/EL
Anaerobic digestion of sewage sludge	CCM 5.06	0	0	Y	Y	N/EL	N/EL
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N/EL	N/EL	N/EL
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N/EL	N/EL	N/EL

DNSH criteria ('Does Not Significantly Harm')

Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover	Category enabling activity	Category transitional activity
Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	5	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-

Continues >

Financial year 2023		2023		Substantial Contribution Criteria			
Economic Activities		Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
	Code	€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15	0	0	Y	N/EL	N/EL	N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.04	0	0	Y	N/EL	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.06	27	0	Y	N/EL	N/EL	N/EL
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	2,534	11	11	0	0	0
Of which Enabling	-	1,779	8	8	0	0	0
Of which Transitional	0	0	0				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)							
Electricity generation from gaseous fossil fuels	CCM 4.29	2,660	12	EL	N/EL	N/EL	N/EL
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30	69	0	EL	N/EL	N/EL	N/EL

DNSH criteria ('Does Not Significantly Harm')											
Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover	Category enabling activity	Category transitional activity
Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-
0	0	Yes	Yes	Yes	Yes	Yes	Yes	Yes	6		
0	0	Yes	Yes	Yes	Yes	Yes	Yes	Yes	5	E	
-	0	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0		T
N/EL	N/EL							19			
N/EL	N/EL							0			

Continues >

Financial year 2023	2023		Substantial Contribution Criteria				
Economic Activities	Code	Turnover	Proportion of Turnover	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	-	2,729	12	12	0	0	0
A. Turnover of Taxonomy eligible activities (A.1+A.2)	-	5,263	23	23	0	0	0
B. Taxonomy-non-eligible activities							
Turnover of Taxonomy-non-eligible activities	-	17,353	77				
Total	-	22,661	100				

In the activity of Electricity generation from hydropower, the percentage reported in 2022 has been recalculated (from 1% to 0%) due to the error of considering the turnover figure for the adaptation activity.

	Proportion of turnover/Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	11.2%	23.3%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

DNSH criteria ('Does Not Significantly Harm')											
Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover	Category enabling activity	Category transitional activity
Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
0	0								19		
0	0								25		



2023 CAPEX

Financial year 2023		2023	Substantial Contribution Criteria				
Economic Activities	Code	CAPEX	Proportion of CAPEX	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Manufacture of hydrogen	CCM 3.10/ CCA 3.10	0	0	Y	Y	N/EL	N/EL
Electricity generation using solar photovoltaic technology	CCM 4.01/ CCA 4.01	551	21	Y	Y	N/EL	N/EL
Electricity generation from wind power	CCM 4.03/ CCA 4.03	786	30	Y	Y	N/EL	N/EL
Electricity generation from hydroelectric power	CCM 4.05/ CCA 4.05	14	1	Y	Y	N/EL	N/EL
Electricity distribution and transportation	CCM 4.09/ CCA 4.09	582	22	Y	Y	N/EL	N/EL
Storage of electricity	CCM 4.10/ CCA 4.10	0	0	Y	Y	N/EL	N/EL
Anaerobic digestion of sewage sludge	CCM 5.06/ CCA 5.06	0	0	Y	Y	N/EL	N/EL
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N	N/EL	N/EL
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N	N/EL	N/EL
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15/ CCA 6.15	0	0	Y	Y	N/EL	N/EL

DNSH criteria ('Does Not Significantly Harm')

Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover	Category enabling activity	Category transitional activity
Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	22	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	23	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-

Continues >

Financial year 2023		2023		Substantial Contribution Criteria			
Economic Activities		CAPEX	Proportion of CAPEX	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
	Code	€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	CCM 7.04/ CCA 7.04	0	0	S	S	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.06/ CCA 7.06	9	0	S	S	N/EL	N/EL
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	1,942	74	74	0	0	0
Of which Enabling	-	591	23	23	0	0	0
Of which Transitional	-	0	0	0			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)							
Electricity generation from nuclear energy in existing installations	CCM 4.29/ CCA 4.29	127	5	EL	EL	N/EL	N/EL
Electricity generation from gaseous fossil fuels	CCM 4.30/ CCA 4.30	5	0	EL	EL	N/EL	N/EL
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	-	132	5	5	0	0	0
A. CAPEX of Taxonomy eligible activities (A.1+A.2)	-	2,074	79	79	0	0	0
B. Taxonomy-non-eligible activities							
CAPEX of Taxonomy-non-eligible activities	-	538	21	-	-	-	-
Total	-	2,612	100	-	-	-	-

Adaptation activities are aligned, which is why they are indicated in the table with “Y”, but the granularity in systems to obtain the economic data for the Key Performance Indicator is not available. For this reason the activity is reported as aligned but with amount 0.

	Proportion of CAPEX/Total CAPEX	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	74.4%	79.4%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%



Naturgy launches its first photovoltaic plant in Fuerteventura and drives the Canary Islands' energy transition with **145 MW of operational renewable** energy by 2024.



2023 OPEX

Financial year 2023		2023	Substantial Contribution Criteria				
Economic Activities	Code	OPEX	Proportion of OPEX	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
		€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
A. Taxonomy-eligible activities							
A.1 Environmentally sustainable activities (Taxonomy-aligned)							
Manufacture of hydrogen	CCM 3.10/ CCA 3.10	0	0	Y	Y	N/EL	N/EL
Electricity generation using solar photovoltaic technology	CCM 4.01/ CCA 4.01	5	1	Y	Y	N/EL	N/EL
Electricity generation from wind power	CCM 4.03/ CCA 4.03	51	15	Y	Y	N/EL	N/EL
Electricity generation from hydroelectric power	CCM 4.05/ CCA 4.05	12	3	Y	Y	N/EL	N/EL
Electricity distribution and transportation	CCM 4.09/ CCA 4.09	69	20	Y	Y	N/EL	N/EL
Storage of electricity	CCM 4.10/ CCA 4.10	0	0	Y	Y	N/EL	N/EL
Anaerobic digestion of sewage sludge	CCM 5.06/ CCA 5.06	0	0	Y	Y	N/EL	N/EL
Anaerobic digestion of biowaste	CCM 5.07	0	0	Y	N	N/EL	N/EL
Landfill gas capture and utilisation	CCM 5.10	0	0	Y	N	N/EL	N/EL
Infrastructure enabling low-carbon road transport and public transport	CCM 6.15/ CCA 6.15	0	0	Y	Y	N/EL	N/EL

DNSH criteria ('Does Not Significantly Harm')

Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover	Category enabling activity	Category transitional activity
Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	15	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	3	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	19	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	-	-
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-

Continues >

Financial year 2023		2023		Substantial Contribution Criteria			
Economic Activities		OPEX	Proportion of OPEX	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy
	Code	€M	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and in parking spaces attached to buildings)	CCM 7.04/ CCA 7.04	0	0	Y	Y	N/EL	N/EL
Installation, maintenance and repair of renewable energy technologies	CCM 7.06/ CCA 7.06	0	0	Y	Y	N/EL	N/EL
OPEX of environmentally sustainable activities (conforming to the taxonomy) (A.1)	-	136	39	39	0	0	0
Of which Enabling		69	20	20	0	0	0
Of which Transitional		0	0	0			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)							
Electricity generation from gaseous fossil fuels	CCM 4.29/ CCA 4.29	37	11	EL	EL	N/EL	N/EL
High-efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels	CCM 4.30/ CCA 4.30	3	1	EL	EL	N/EL	N/EL
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	-	41	12	12	0	0	0
A. OPEX of Taxonomy eligible activities (A.1+A.2)	-	177	51	51	0	0	0
B. Taxonomy-non-eligible activities							
OPEX of ineligible activities according to the taxonomy	-	169	49				
Total	-	346	100				

DNSH criteria ('Does Not Significantly Harm')												
Pollution	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Circular Economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OPEX, year N-1	Category enabling activity	Category transitional activity	
Y; N; N/EL	Y; N; N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	E	-	
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	0	E	-	
N/EL	N/EL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	1	E	-	
0	0	Yes	Yes	Yes	Yes	Yes	Yes	Yes	39			
0	0	Yes	Yes	Yes	Yes	Yes	Yes	Yes	20	E		
		Yes	Yes	Yes	Yes	Yes	Yes	Yes	-		T	
N/EL	N/EL								11			
N/EL	N/EL								1			
0	0								12			
0	0								51			

Adaptation activities are aligned, which is why they are indicated in the table with “Y”, but the granularity in systems to obtain the economic data for the Key Performance Indicator is not available. For this reason the activity is reported as aligned but with amount 0.

	Proportion of OPEX/Total OPEX	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	39.4%	51.1%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%



Nuclear and fossil gas related activities

The Templates required by the EU Delegated Regulation 2022/1214 are included below. As there are no aligned activities, Templates 2 and 3 do not apply in the case of Naturgy.

Template 1

Row	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	Yes
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

This section incorporates the Templates published in the EU Delegated Regulation 2022/1214.

Template 4

2023 Turnover		Amount and proportion (the information is to be presented in monetary amounts and as percentages)					
Row	Economic activities	(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	2,660	11.8%	2,660	11.8%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	69	0.3%	69	0.3%	0	—%

Continúa >

2023 Turnover

Amount and proportion (the information is to be presented in monetary amounts and as percentages)

Row	Economic activities	(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%	0	—%	0	—%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the Turnover.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable Turnover.	2,729	12.1%	2,729	12.1%	0	—%

2023 CAPEX

Amount and proportion (the information is to be presented in monetary amounts and as percentages)

Row	Economic activities	(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%	0	—%	0	—%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	127	4.9%	127	4.9%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	5	0.2%	5	0.2%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%	0	—%	0	—%

Continues >

2023 CAPEX

Amount and proportion (the information is to be presented in monetary amounts and as percentages)

Row	Economic activities	(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the CAPEX.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	Total amount and proportion of taxonomy eligible but not taxonomy aligned economic activities in the denominator of the applicable CAPEX.	132	5.1%	132	5.1%	0	—%

2023 OPEX

Amount and proportion (the information is to be presented in monetary amounts and as percentages)

Row	Economic activities	(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
1	Amount and proportion of taxonomy eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%	0	—%	0	—%
2	Amount and proportion of taxonomy eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%	0	—%	0	—%

Continues >

2023 OPEX

Amount and proportion (the information is to be presented in monetary amounts and as percentages)

Row	Economic activities	(CCM + CCA)		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
		Amount	%	Amount	%	Amount	%
3	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%	0	—%	0	—%
4	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	37	10.7%	37	10.7%	0	—%
5	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	3	1.0%	3	1.0%	0	—%
6	Amount and proportion of taxonomyeligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%	0	—%	0	—%
7	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the OPEX.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	Total amount and proportion of taxonomy eligible but not taxonomyaligned economic activities in the denominator of the applicable OPEX.	40	11.7%	0	11.7%	0	—%

Attached below are the Templates 5 for the non-eligible activity of nuclear power generation.

Template 5

2023 Turnover			
Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	245	1%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the Turnover.	0	—%
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the Turnover.	17,108	76%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the Turnover.	17,353	77%

2023 CAPEX			
Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	19	1%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the CAPEX.	0	—%
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the CAPEX.	518	20%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the CAPEX.	538	21%

2023 OPEX			
Row	Economic activities	Amount	%
1	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%
2	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%
3	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	21	6%
4	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%
5	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%
6	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the OPEX.	0	—%
7	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the OPEX.	148	43%
8	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the OPEX.	169	49%

Integrity and trust

Revenues from sales to third parties and intra-group transactions (€M)

	2022	
Tax jurisdiction	Third parties	Related entity
Argentina	575.1	70.0
Australia	35.2	1.8
Brazil	2,325.0	4.6
Chile	1,432.4	3.9
Costa Rica	43.5	0.0
Ecuador	0.1	0.0
Spain	26,998.9	31,481.1
France	724.2	0.0
Ireland	2,655.8	1,210.4
Israel	5.1	0.0
Italy	0.0	0.0
Luxembourg	41.8	0.0
Morocco	1.1	0.0
Mexico	2,149.7	507.0
Netherlands	0.0	203.8
Panama	890.8	13.9
Portugal	422.9	0.0
Puerto Rico	552.6	0.0
Dominican Republic	109.4	0.0
Uzbekistan	0.2	0.0

NB: Data aggregated at country level; transactions between Group companies within the same country are not eliminated.

Customer experience

Energy affordability

			2023	2022
Argentina	Gas business	Average retail rate (retail residential customers)	2.35	5.79
		Average retail rate (personalised industrial customers)	6.99	7.63
		Typical bill for 50 MMBTU (retail)	10	24
		Typical bill for 100 MMBTU (retail)	20	50
	Electricity business	Average retail rate (retail residential customers)	0.02	n.d.
		Average retail rate (retail commercial customers)	0.02	n.d.
		Average retail rate (personalised industrial customers) ⁽¹⁾	0.03	n.d.
		Typical bill for 500 kWh (retail)	3.9	n.d.
		Typical bill for 1000 kWh (retail)	5.3	n.d.
Brazil	Gas business	Average retail rate (retail customers)	54.81	39.41
		Average retail rate (personalised customers)	18.26	14.35
		Typical bill for 50 MMBTU (retail)	26	29
		Typical bill for 100 MMBTU (retail)	3.033	2.924
Chile	Gas business	Average retail rate (retail residential customers)	30.50	27.91
		Average retail rate (retail commercial customers)	23.78	23.54
		Average retail rate (personalised industrial customers) ⁽¹⁾	11.70	14.36
		Typical bill for 50 MMBTU (retail)	117	133
		Typical bill for 100 MMBTU (retail)	234	266
Spain	Gas business	Average retail rate (retail customers)	28.70	21.20
		Average retail rate (personalised customers)	18.50	26.45
		Typical bill for 500 kWh (retail)	1,434	1,060
		Typical bill for 1000 kWh (retail)	2,869	2,120
	Electricity business	Average retail rate (retail customers)	0.24	0.26
		Average retail rate (personalised customers)	0.13	0.20
		Typical bill for 500 kWh (retail)	123	128
		Typical bill for 1000 kWh (retail)	245	257

Continues >

Calculation of average gas and electricity business rates in Spain: 2022: actual billing data Dec. 21 - Nov. 22 (as of statement date no actual data are available for Dec. 22). The power and energy term is included (excluding VAT and other items). Mexico's typical bill values have fallen as commodity costs have fallen. Average exchange rates have been used for these data.

⁽¹⁾ Does not include NGVs, or LNG for single-customer satellite regasification plants.

			2023	2022
México	Gas business	Average retail rate (retail customers)	15.62	13.54
		Average retail rate (personalised customers)	12.68	12.59
		Typical bill for 50 MMBTU (retail)	62	677
		Typical bill for 100 MMBTU (retail)	121	630
Panama	Electricity business	Average retail rate (retail customers)	n.d.	0,14
		Average retail rate (personalised customers)	n.d.	0,03
		Typical bill for 500 kWh (retail)	n.d.	19
		Typical bill for 1000 kWh (retail)	n.d.	336

Customers disconnected due to non-payment

			2023	2022
Argentina	Gas business	Number of customer disconnections for non-payment of electricity supply	130,967	90,071
		% reconnected within 30 days	68.3	60.0
	Electricity business	Number of customer disconnections for non-payment of electricity supply	34,921	N/A
		Reconectado antes de 30 días (%)	77	N/A
Brazil	Gas business	Number of customer disconnections for non-payment of electricity supply	86,031	8,324
		% reconnected within 30 days	85.0	93.0
Chile	Gas business	Number of customer disconnections for non-payment of electricity supply	46,356	22,317
		% reconnected within 30 days	78.0	72.5
España	Gas business	Number of customer disconnections for non-payment of electricity supply	4,784	3,614
		% reconnected within 30 days	81.0	77.1
	Electricity business	Number of customer disconnections for non-payment of electricity supply	20,069	19,263
		% reconnected within 30 days	91.0	91.4
Mexico	Gas business	Number of customer disconnections for non-payment of electricity supply	258,302	228,887
		% reconnected within 30 days	69.0	93.0
Panama	Electrical business	Number of customer disconnections for non-payment of electricity supply	77,534	66,178
		% reconnected within 30 days	98.3	96.1

Electricity load supplied with smart grid technology (%/MWh)

	2023	2022
% electrical load from smart grids. Spain	99.6	99.6
% electrical load from smart grids. Panama	n.d.	99.4



Commitment and talent

No. of employees entitled to leave for childbirth and child care

	2023			2022		
	Men	Women	Total	Men	Women	Total
Argentina	11	3	14	20	14	34
Australia	1	0	1	1	0	1
Brazil	7	3	10	7	3	10
Chile	8	8	16	8	7	15
Costa Rica	0	0	0	0	0	0
Spain	67	29	96	65	35	100
USA	1	0	1	0	0	0
France	0	0	0	0	1	1
Ireland	0	0	0	0	0	0
Israel	0	0	0	1	0	1
Italy	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Mexico	7	9	16	8	8	16
Netherlands	0	0	0	0	0	0
Panama	6	8	14	11	4	15
Portugal	0	0	0	9	3	12
Puerto Rico	0	0	0	0	0	0
Dominican Republic	0	0	0	0	1	1
Total	108	60	168	130	76	206

No. of employees who availed themselves of their right to childbirth and childcare leave

	2023			2022		
	Men	Women	Total	Men	Women	Total
Argentina	11	3	14	2	14	16
Australia	1	0	1	0	0	0
Brazil	7	3	10	7	3	10
Chile	8	8	16	7	7	14
Costa Rica	0	0	0	0	0	0
Spain	67	28	95	64	35	99
USA	1	0	1	0	0	0
France	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Israel	0	0	0	1	0	1
Italy	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Mexico	7	9	16	8	8	16
Netherlands	0	0	0	0	0	0
Panama	6	8	14	11	4	15
Portugal	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0
Dominican Republic	0	0	0	0	1	1
Total	108	59	167	100	72	172

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

	2023		2022	
	Men	Women	Men	Women
Argentina	85.7	100.0	100.0	100.0
Australia	0.0	0.0	0.0	0.0
Brazil	100.0	100.0	100.0	100.0
Chile	87.5	75.0	83.3	62.5
Costa Rica	0.0	0.0	0.0	0.0
Spain	92.2	94.3	92.7	88.9
USA	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0
Israel	0.0	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0
Mexico	100.0	100.0	87.5	72.7
Netherlands	0.0	0.0	0.0	0.0
Panama	0.0	0.0	0.0	0.0
Portugal	0.0	0.0	0.0	0.0
Puerto Rico	0.0	0.0	0.0	0.0
Dominican Republic	0.0	0.0	0.0	0.0
Total	92.5	91.4	92.7	82.2

**No. of employees who did not return to work once their maternity/
paternity leave was complete**

	2023			2022		
	Men	Women	Total	Men	Women	Total
Argentina	1	0	1	0	0	0
Australia	0	0	0	0	0	0
Brazil	0	0	0	0	0	0
Chile	0	4	4	0	4	4
Costa Rica	0	0	0	0	0	0
Spain	5	2	7	6	2	8
USA	0	0	0	0	0	0
France	0	0	0	0	0	0
Ireland	0	0	0	0	0	0
Israel	0	0	0	1	0	1
Italy	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Netherlands	0	0	0	0	0	0
Panama	0	0	0	0	0	0
Portugal	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0
Dominican Republic	0	0	0	0	0	0
Total	6	6	12	7	6	13

Number of contracts by professional category and type at 31 December

	2023				
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	103	762	4,032	1,753	6,650
Indefinite part-time	0	0	0	0	0
Total indefinite	103	762	4,032	1,753	6,650
Temporary full-time	-	3	194	36	233
Temporary part-time	0	0	0	0	0
Total temporary	0	3	194	36	233
Total full-time	103	765	4,226	1,789	6,883
Total part-time	0	0	0	0	0

Annual average of contracts by professional category and type

	2023				
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	104	769	3,970	1,869	6,712
Indefinite part-time	0	0	0	0	0
Total indefinite	104	769	3,970	1,869	6,712
Temporary full-time	0	3	194	36	233
Temporary part-time	0	0	0	0	0
Total temporary	0	3	194	36	233
Total full-time	104	772	4,164	1,905	6,945
Total part-time	0	0	0	0	0

					2022
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	103	758	3,912	1,980	6,753
Indefinite part-time	0	0	0	0	0
Total indefinite	103	758	3,912	1,980	6,753
Temporary full-time	0	3	191	35	229
Temporary part-time	0	0	0	0	0
Total temporary	0	3	191	35	229
Total full-time	103	761	4,103	2,015	6,982
Total part-time	0	0	0	0	0

					2022
	Executives	Middle management	Specialists	Operational staff	Total
Indefinite full-time	104	755	3,907	2,104	6,870
Indefinite part-time	0	0	0	0	0
Total indefinite	104	755	3,907	2,104	6,870
Temporary full-time	0	3	173	32	208
Temporary part-time	0	0	0	0	0
Total temporary	0	3	173	32	208
Total full-time	104	757	4,081	2,137	7,078
Total part-time	0	0	0	0	0

Rotation index by gender and age group (%)

		2023		2022	
<30	Men	11.4	Men	24.8	
	Women	7.8	Women	15.7	
30-50	Men	2.8	Men	6.1	
	Women	4.6	Women	6.6	
>50	Men	8.6	Men	10.8	
	Women	6.2	Women	8.9	

Voluntary rotation index by gender and age group (%)

		2023		2022	
<30	Men	8.4	Men	7.7	
	Women	6.4	Women	7.9	
30-50	Men	1.6	Men	1.9	
	Women	2.5	Women	2.6	
>50	Men	1.0	Men	0.5	
	Women	0.4	Women	0.2	

Rotation index by country (%)

	2023		2022	
	Rotation index	Voluntary rotation index	Rotation index	Voluntary rotation index
Argentina	8.7	2.6	8.3	2.2
Australia	22.1	22.1	14.2	14.2
Brazil	9.1	3.0	5.0	2.7
Chile	9.1	0.2	10.1	0.2
Costa Rica	17.3	17.3	5.7	5.7
Spain	2.5	1.2	3.1	1.6
USA	0.0	0.0	0.0	0.0
France	46.4	46.4	100.0	0.0
Ireland	0.0	0.0	0.0	0.0
Israel	31.0	24.8	24.9	24.9
Italy	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0
Mexico	6.1	3.3	7.6	3.2
Netherlands	0.0	0.0	0.0	0.0
Panama	7.5	1.4	15.2	1.3
Portugal	0.0	0.0	7.3	7.3
Puerto Rico	37.1	37.1	0.0	0.0
Dominican Republic	2.8	2.8	0.0	0.0
Total	5.0	1.9	8.0	2.0

Rotation by professional category and gender

	2023														
	Executives			Middle management			Specialists			Operational staff			Total		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Argentina	0	0	0	4	1	5	20	7	27	32	15	47	56	23	79
Australia	0	0	0	2	-	2	5	0	5	0	0	0	7	0	7
Brazil	0	0	0	1	1	2	9	12	21	4	6	10	14	19	33
Chile	0	0	0	3	-	3	17	7	24	18	9	27	38	16	54
Costa Rica	0	0	0	0	0	0	2	1	3	0	0	0	2	1	3
Spain	3	1	4	11	1	12	23	39	62	19	2	21	56	43	99
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Israel	0	0	0	0	0	0	5	0	5	0	0	0	5	0	5
Italy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	4	3	7	19	8	27	7	1	8	30	12	42
Netherlands	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Panama	0	0	0	2	0	2	12	4	16	3	1	4	17	5	22
Portugal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Dominican Rep.	0	0	0	0	0	0	0	1	1	1	0	1	1	1	2
Total	3	1	4	27	6	33	112	81	193	84	34	118	226	122	348
% Total	75.0	25.0		81.8	18.2		58.0	42.0		71.2	28.8		64.9	35.1	

Voluntary rotation by professional category and gender

	2023														
	Executives			Middle management			Specialists			Operational staff			Total employees		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Argentina	0	0	0	2	0	2	6	5	11	7	4	11	15	9	24
Australia	0	0	0	2	0	2	5	0	5	0	0	0	7	0	7
Brazil	0	0	0	0	0	0	3	6	9	1	1	2	4	7	11
Chile	0	0	0	1	0	1	0	0	0	0	0	0	1	0	1
Costa Rica	0	0	0	0	0	0	2	1	3	0	0	0	2	1	3
Spain	0	1	1	3	1	4	13	26	39	5	0	5	21	28	49
USA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
France	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Ireland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Israel	0	0	0	0	0	0	4	0	4	0	0	0	4	0	4
Italy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	2	2	4	8	3	11	7	1	8	17	6	23
Netherlands	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Panama	0	0	0	0	0	0	3	1	4	0	0	0	3	1	4
Portugal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Dominican Rep.	0	0	0	0	0	0	0	1	1	1	0	1	1	1	2
Total	0	1	1	10	3	13	44	45	89	21	6	27	75	55	130
% Total	0.0	0.8	0.8	7.7	2.3	10.0	33.8	34.6	68.5	16.2	4.6	20.8	57.7	42.3	100.0

Vacant posts filled by internal applications

	2023	2022
% Vacant posts filled by internal applications	43.2	45.1

NB: The indicator is from Spain.

New employees hires by gender and age group

		2023		2022
<30	Men	40	Men	94
	Women	122	Women	91
30-50	Men	39	Men	77
	Women	43	Women	46
>50	Men	5	Men	4
	Women	0	Women	3
Total	Men	84	Men	175
	Women	165	Women	140
	Total	249	Total	315

— New employees hires by gender and business

					2023
	Men	% Men	Women	% Women	Total
Procurement and Wholesale Markets	1	25.0	3	75.0	4
Commercialisation	5	15.2	28	84.8	33
Corporate	2	11.8	15	88.2	17
Energy Management and Networks	44	32.4	92	67.6	136
Renewables and New Businesses	32	54.2	27	45.8	59
Total	84	33.7	165	66.3	249

— New employees hires by gender, corporation and business

					2023
	Men	% Men	Women	% Women	Total
Corporate	2	11.8	15	88.2	17
Business	82	35.3	150	64.7	232
Total	84	33.7	165	66.3	249

Number of dismissals by gender and professional category

	2023				
	Executives	Middle management	Specialists	Operational staff	Total
Men	0	3	20	6	29
Women	0	2	15	5	22
Total	0	5	35	11	51

Training hours per employee

	2023	2022
Executives	34.0	30.6
Middle management	43.9	46.2
Specialists	42.6	35.1
Operational staff	38.1	36.7
Total	41.5	35.9

NB: Training data only includes companies that have access to SuccessFactors. These companies represent 93% of the total staff.

Training hours by age (%)

	2023			
	Executives	Middle management	Specialists	Operational staff
<30	-	100.0	98.2	98.7
31-44	100.0	97.7	98.0	97.6
45-54	94.7	97.4	98.3	98.0
>55	87.9	97.8	96.5	94.3
Total	93.2	97.6	98.0	97.2

	2022				
	Executives	Middle management	Specialists	Operational staff	Total
Men	0	8	43	52	103
Women	1	1	27	5	34
Total	1	9	70	57	137

Training hours

	2023	2022
Executives	3,503	25,620
Middle management	32,544	27,774
Specialists	172,263	125,392
Operational staff	57,154	53,660
Total	265,465	232,445

	2022			
	Executives	Middle management	Specialists	Operational staff
<30	98.3	100.0	96.4	96.3
31-44	97.9	99.7	97.1	96.5
45-54	98.1	99.1	98.6	96.4
>55	95.6	100.0	97.7	91.6
Total	97.7	99.5	97.8	95.6

Fixed remuneration by gender

	2023		
	Men	Women	Gap
Argentina	17,022	14,999	11.9%
Australia	78,740	87,293	-10.9%
Brazil	26,067	28,480	-9.3%
Chile	39,259	34,218	12.8%
Costa Rica	19,685	0	n.a
Spain	61,091	55,476	9.2%
USA	178,119	177,387	0.4%
France	-	0	n.a
Ireland	-	-	-
Israel	39,724	30,135	24.1%
Italy	-	0	n.a
Luxembourg	0	-	n.a
Mexico	24,749	25,030	-1.1%
Netherlands	0	-	n.a
Panama	28,437	25,966	8.7%
Portugal	42,838	42,587	0.6%
Puerto Rico	-	0	n.a
Dominican Republic	18,744	27,151	-44.9%

NB:

- Blank data are not published for confidentiality reasons.
- Data that are 0 correspond to categories with no employees.
- The exchange rate used is as at the end of December 2023.

			2022
	Men	Women	Gap
Argentina	28,858	24,681	14.5%
Australia	77,253	85,456	-10.6%
Brazil	22,242	24,403	-9.7%
Chile	37,160	30,155	18.9%
Costa Rica	17,190	0	n.a
Spain	56,453	52,369	9.2%
USA	0	0	0.0%
France	0	0	0.0%
Ireland	0	0	0.0%
Israel	42,536	0	n.a
Italy	0	0	0.0%
Luxembourg	0	0	0.0%
Mexico	20,893	22,120	-5.9%
Netherlands	0	0	0.0%
Panama	27,698	25,697	7.2%
Portugal	40,587	38,538	5.0%
Puerto Rico	0	0	0.0%
Dominican Republic	18,205	25,825	-41.9%

NB:

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Fixed remuneration by age range

	2023		
	<30 years	30-50 years	>50 years
Argentina	11,335	14,672	18,820
Australia	67,168	82,224	79,953
Brazil	18,226	25,813	32,437
Chile	23,122	37,109	38,892
Costa Rica	9,189	21,487	20,427
Spain	36,244	54,981	73,852
USA	0	177,055	180,113
France	-	-	0
Ireland	0	-	-
Israel	28,586	39,018	43,816
Italy	0	-	0
Luxembourg	0	0	-
Mexico	17,766	24,358	31,469
Netherlands	0	-	-
Panama	17,311	25,096	41,151
Portugal	0	38,934	-
Puerto Rico	0	-	-
Dominican Republic	0	20,185	21,155

NB:

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	2022		
	<30 years	30-50 years	>50 years
Argentina	18,397	24,527	31,872
Australia	60,537	81,169	74,656
Brazil	14,936	22,433	26,691
Chile	24,130	34,574	36,349
Costa Rica	10,399	19,115	17,207
Spain	32,387	50,961	71,637
USA	0	0	0
France	0	0	0
Ireland	0	0	0
Israel	30,617	43,911	55,804
Italy	0	0	0
Luxembourg	0	0	0
Mexico	14,674	20,910	25,650
Netherlands	0	0	0
Panama	16,537	24,243	40,410
Portugal	0	35,490	-
Puerto Rico	0	0	0
Dominican Republic	-	19,895	20,258

NB:

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- The exchange rate used is as at the end of December 2023.

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

Average fixed and variable remuneration

	2023							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	152,129	0	62,660	43,161	19,393	18,040	12,542	11,638
Australia	0	0	109,959	144,659	83,771	76,469	0	0
Brazil	0	207,779	65,875	75,776	29,437	27,367	20,360	20,228
Chile	261,332	0	149,253	120,484	44,730	41,965	20,563	21,952
Costa Rica	0	0	0	0	23,311	0	14,665	0
Spain	354,202	237,330	107,226	103,902	57,874	52,740	41,265	39,655
USA	0	0	183,435	-	214,008	-	0	0
France	0	0	-	0	-	0	0	0
Ireland	0	0	--	0	-	-	0	0
Israel	0	0	0	0	44,073	33,149	0	0
Italy	0	0		0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	0
Mexico	235,499	0	75,246	67,999	27,887	27,314	10,038	7,935
Netherlands	0	0	0	0	0		0	0
Panama	-	0	74,348	77,687	27,737	24,404	18,497	16,941
Portugal	0	0	0	-	48,407	42,525	0	0
Puerto Rico	0	0	0	0	-	0	0	0
Dominican Republic	0	0	0	0	32,071	34,284	15,935	11,381
Total	338,031	234,046	100,739	97,764	46,809	44,547	26,052	24,588

NB:

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- The exchange rate used is as at the end of December 2023.

Median fixed and variable remuneration

	2023							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	145,033	0	47,312	43,243	17,472	17,069	12,383	11,648
Australia	0	0	109,920	137,384	83,083	67,158	0	0
Brazil	0	147,222	61,137	64,341	27,692	26,454	18,617	20,018
Chile	261,332	0	130,639	108,463	41,115	38,123	19,901	19,788
Costa Rica	0	0	0	0	15,611	0	11,377	0
Spain	280,249	231,921	95,998	96,503	53,105	48,248	40,342	39,154
USA	0	0	126,318		265,982		0	0
France	0	0		0		0	0	0
Ireland	0	0		0			0	0
Israel	0	0	0	0	33,544	33,149	0	0
Italy	0	0		0	0	0	0	0
Luxembourg	0	0	0	0	0		0	0
Mexico	266,807	0	64,496	63,926	26,361	25,692	9,274	7,591
Netherlands	0	0	0	0	0		0	0
Panama		0	59,157	58,263	23,928	22,183	17,827	16,983
Portugal	0	0	0		47,312	43,598	0	0
Puerto Rico	0	0	0	0		0	0	0
Dominican Republic	0	0	0	0	25,568	29,006	15,753	11,381

NB:

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- The exchange rate used is as at the end of December 2023.

Average variable remuneration

	2023							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	46,325	0	11,910	6,426	1,629	1,574	797	765
Australia	0	0	18,064	34,096	9,892	7,792	0	0
Brazil	0	64,738	13,168	15,972	3,672	3,100	2,513	3,198
Chile	74,666	0	28,404	20,100	9,808	10,898	34,859	39,886
Costa Rica	0	0	0	0	5,197	0	2,647	0
Spain	114,150	68,592	22,117	20,130	9,779	7,411	0	0
USA	0	0	44,750	-	0	-	0	0
France	0	0	-	0	-	0	0	0
Ireland	0	0	-	0	-	-	0	0
Israel	0	0	0	0	4,349	3,014	0	0
Italy	0	0	-	0	0	0	0	0
Luxembourg	0	0	0	0	0	-	0	0
Mexico	71,590	0	12,946	10,780	4,478	4,440	5,573	0
Netherlands	0	0	0	0	0	-	0	0
Panama	-	0	13,538	13,935	2,812	2,414	1,327	1,306
Portugal	0	0	0	-	5,569	4,892	0	0
Puerto Rico	0	0	0	0	-	0	0	0
Dominican Republic	0	0	0	0	3,990	4,603	1,368	669
Total	108,262	68,164	20,084	18,642	6,202	5,507	1,494	1,970

NB:

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- The exchange rate used is as at the end of December 2023.

Median variable remuneration

	2023							
	Executives		Middle management		Specialists		Operational staff	
	Men	Women	Men	Women	Men	Women	Men	Women
Argentina	41,438	0	8,399	5,944	1,341	1,487	759	700
Australia	0	0	19,482	32,585	9,471	7,726	0	0
Brazil	0	42,063	11,571	12,868	1,840	1,840	1,840	1,840
Chile	74,666	0	19,874	15,495	4,990	4,723	34,859	39,886
Costa Rica	0	0	0	0	4,715	0	2,647	0
Spain	79,948	60,128	17,877	16,781	7,853	6,142	0	0
USA	0	0	38,062	-	0	-	0	0
France	0	0	-	0	-	0	0	0
Ireland	0	0	-	0	-	-	0	0
Israel	0	0	0	0	3,049	3,014	0	0
Italy	0	0	-	0	0	0	0	0
Luxembourg	0	0	0	0	0	-	0	0
Mexico	76,231	0	9,286	8,329	4,107	3,672	6,916	0
Netherlands	0	0	0	0	0	-	0	0
Panama	-	0	8,595	9,688	2,371	2,178	1,308	1,407
Portugal	0	0	0	-	5,443	5,016	0	0
Puerto Rico	0	0	0	0	-	0	0	0
Dominican Republic	0	0	0	0	2,841	3,951	1,291	669

NB:

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- The exchange rate used is as at the end of December 2023.

Average fixed and variable remuneration by professional category

	2023			
	Executives	Middle management	Specialists	Operational staff
Argentina	152,129	58,421	18,951	12,336
Australia	0	127,309	82,367	0
Brazil	207,779	69,588	28,583	20,317
Chile	261,332	141,262	43,893	21,048
Costa Rica	0	0	23,311	14,665
Spain	323,036	106,019	55,675	40,948
USA	0	174,482	223,562	0
France	0	-	-	0
Ireland	0	-	-	0
Israel	0	0	42,859	0
Italy	0	-	0	0
Luxembourg	0	0	-	0
Mexico	235,499	73,221	27,692	9,801
Netherlands	0	0	-	0
Panama	-	75,588	26,283	18,096
Portugal	0	-	43,995	0
Puerto Rico	0	0	-	0
Dominican Republic	0	0	33,030	15,707

NB:

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- The exchange rate used is as at the end of December 2023.

	2022			
	Executives	Middle management	Specialists	Operational staff
Argentina	222,607	100,200	31,793	20,931
Australia	0	122,588	0	0
Brazil	171,076	58,716	25,276	16,951
Chile	259,935	136,816	40,983	21,117
Costa Rica	0	0	19,647	12,138
Spain	312,121	104,787	51,872	36,665
USA	0	0	0	0
France	0	0	0	0
Ireland	0	0	0	0
Israel	0	0	46,187	0
Italy	0	0	0	0
Luxembourg	0	0	0	0
Mexico	191,801	60,704	21,321	7,954
Netherlands	0	0	-	0
Panama	-	73,883	25,716	17,726
Portugal	0	-	36,357	0
Puerto Rico	0	0	0	0
Dominican Republic	0	0	30,703	14,910

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Average fixed and variable remuneration by professional category and gender

	2023			
	Executives	Middle management	Specialists	Operational staff
Men	338,031	100,739	46,809	26,052
Women	234,046	97,764	44,547	24,588

NB: The exchange rate used is at the end of December 2023.

Average fixed and variable remuneration by gender

	2023	
	Men	Women
Argentina	18,351	16,005
Australia	87,961	106,775
Brazil	30,310	34,096
Chile	44,254	38,100
Costa Rica	21,149	0
Spain	68,515	61,177
USA	194,900	190,971
France	-	0
Ireland	-	-
Israel	44,073	33,149
Italy	-	0
Luxembourg	0	-
Mexico	29,284	29,629
Netherlands	0	-
Panama	32,663	29,569
Portugal	48,407	49,170
Puerto Rico	-	0
Dominican Republic	20,922	31,230

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- The exchange rate used is as at the end of December 2023.

				2022
	Executives	Middle management	Specialists	Operational staff
Men	330,055	99,927	43,284	26,444
Women	221,888	94,632	42,180	25,897

NB: The exchange rate used is at the end of December 2023.

			2022
	Men	Women	
Argentina	31,009	26,261	
Australia	85,952	106,098	
Brazil	25,935	29,100	
Chile	41,052	32,270	
Costa Rica	18,172	0	
Spain	63,741	57,857	
USA	0	0	
France	0	0	
Ireland	0	0	
Israel	46,923	0	
Italy	0	0	
Luxembourg	0	0	
Mexico	23,016	24,234	
Netherlands	0	0	
Panama	31,684	29,002	
Portugal	40,587	39,695	
Puerto Rico	0	0	
Dominican Republic	19,696	28,758	

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- The exchange rate used is as at the end of December 2023.

Average fixed and variable remuneration by age range

	2023		
	<30 years	30-50 years	>50 years
Argentina	11,600	15,478	20,607
Australia	74,557	95,156	88,338
Brazil	21,002	30,303	38,522
Chile	23,122	41,171	44,542
Costa Rica	9,189	22,942	22,647
Spain	38,061	60,024	85,874
USA	0	194,677	192,801
France	-	-	0
Ireland	0	-	-
Israel	31,445	43,383	48,198
Italy	0	-	0
Luxembourg	0	0	-
Mexico	20,829	28,841	37,265
Netherlands	0	-	0
Panama	18,853	28,331	49,063
Portugal	0	43,995	-
Puerto Rico	0	-	-
Dominican Republic	0	22,673	23,907

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	2022		
	<30 years	30-50 years	>50 years
Argentina	18,935	25,925	34,617
Australia	67,196	93,151	81,642
Brazil	16,398	26,437	31,441
Chile	24,168	37,405	40,777
Costa Rica	10,399	20,243	18,271
Spain	34,131	55,913	84,281
USA	0	0	0
France	0	0	0
Ireland	0	0	0
Israel	33,679	48,151	61,384
Italy	0	0	0
Luxembourg	0	0	0
Mexico	15,680	22,919	28,893
Netherlands	0	0	0
Panama	17,054	27,188	48,149
Portugal	0	36,357	-
Puerto Rico	0	0	0
Dominican Republic	-	21,691	22,150

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- The exchange rate used is as at the end of December 2023.

Average and median fixed and variable salary gap (%)

	2023							
	Average fixed and variable salary gap				Median fixed and variable salary gap			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Argentina	n.a.	31.1	7.0	7.2	n.a.	8.6	2.3	5.9
Australia	0.0	-31.6	8.7	0.0	0.0	-25.0	19.2	0.0
Brazil	n.a.	-15.0	7.0	0.6	n.a.	-5.2	4.5	-7.5
Chile	n.a.	19.3	6.2	-6.8	n.a.	17.0	7.3	0.6
Costa Rica	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.
Spain	33.0	3.1	8.9	3.9	17.2	-0.5	9.1	2.9
USA	0.0	29.3	-17.9	0.0	0.0	-2.7	5.2	0.0
France	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.0
Ireland	0.0	n.a.	-	0.0	0.0	n.a.	-	0.0
Israel	0.0	0.0	24.8	0.0	0.0	0.0	1.2	0.0
Italy	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0	0.0
Luxembourg	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Mexico	n.a.	9.6	2.1	20.9	n.a.	0.9	2.5	18.1
Netherlands	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Panama	n.a.	-4.5	12.0	8.4	n.a.	1.5	7.3	4.7
Portugal	0.0	n.a.	12.2	0.0	0.0	n.a.	7.9	0.0
Puerto Rico	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Dominican Republic	0.0	0.0	-6.9	28.6	0.0	0.0	-13.4	27.8
Total	29.2	4.8	7.7	5.4	15.2	0.6	7.2	4.8

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- The exchange rate used is as at the end of December 2023.

Average and median variable salary gap (%)

	2023							
	Average variable salary gap				Median variable salary gap			
	Executives	Middle management	Specialists	Operational staff	Executives	Middle management	Specialists	Operational staff
Argentina	n.a.	46.0	3.4	4.1	n.a.	29.2	-10.8	7.8
Australia	0.0	-88.7	21.2	0.0	0.0	-67.3	18.4	0.0
Brazil	n.a.	-21.3	15.6	-27.2	n.a.	-11.2	0.0	0.0
Chile	n.a.	29.2	-11.1	-14.4	n.a.	22.0	5.3	-14.4
Costa Rica	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.
Spain	39.9	9.0	24.2	0.0	24.8	6.1	21.8	0.0
USA	0.0	39.3	n.a.	0.0	0.0	n.a.	n.a.	0.0
France	0.0	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.0
Ireland	0.0	n.a.	-	0.0	0.0	n.a.	-	0.0
Israel	0.0	0.0	30.7	0.0	0.0	0.0	1.2	0.0
Italy	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0	0.0
Luxembourg	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Mexico	n.a.	16.7	0.8	n.a.	n.a.	10.3	10.6	0.0
Netherlands	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Panama	n.a.	-2.9	14.2	1.6	n.a.	-12.7	8.2	-7.6
Portugal	0.0	n.a.	12.2	0.0	0.0	n.a.	7.9	0.0
Puerto Rico	0.0	0.0	n.a.	0.0	0.0	0.0	n.a.	0.0
Dominican Republic	0.0	0.0	-15.4	51.1	0.0	0.0	-39.1	48.1
Total	35.3	10.2	15.9	-0.7	21.9	6.4	14.2	1.3

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2. Additional information

Content index Task Force on Climate-Related Financial Disclosures

TCFD Framework	Reference in the Management Report or on the internet
Governance	
a) Describe the board's oversight of climate-related risks and opportunities.	Section 6.3 The Opportunity of Environmental Challenges/Climate Change/Climate Change Governance. Pages 183-186.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Section 6.3 The Opportunity of Environmental Challenges/Climate Change/Climate Change Governance. Pages 183-186.
Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Section 6.3 The Opportunity of Environmental Challenges/Climate Change/Climate Strategy. Pages 186-191.
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Section 6.3 The Opportunity of Environmental Challenges/Climate Change/Climate Strategy. Pages 186-191.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Section 6.3 The Opportunity of Environmental Challenges/Climate Change/Climate Strategy. Pages 186-191.
Risk management	
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Section 6.3 The Opportunity of Environmental Challenges/Climate change/Management of climate change risks and opportunities. Pages 192-211.

TCFD Framework	Reference in the Management Report or on the internet
Risk management	
b) Describe the organisation's processes for managing climate-related risks.	Section 6.3 The Opportunity of Environmental Challenges/Climate change/Management of climate change risks and opportunities. Pages 192-211.
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Section 6.3 The Opportunity of Environmental Challenges/Climate change/Management of climate change risks and opportunities. Pages 192-211.
Targets and metrics	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Section 6.3 The Opportunity of Environmental Challenges/Climate change/Objectives and metrics. Pages 212-226.
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Section 6.3 The Opportunity of Environmental Challenges/Climate change/Objectives and metrics. Pages 212-226.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Section 6.3 The Opportunity of Environmental Challenges/Climate change/Objectives and metrics. Pages 212-226.

Glossary of non-financial indicators

Indicator	Definition
Investment in innovation	Amount in euros allocated to innovation activities.
Overall satisfaction with service quality	Customers' degree of satisfaction with the quality of global service on a scale from 1 to 10 (in Chile from 1 to 7), broken down by country or geographical region.
Direct greenhouse gas emissions (GHG)	Greenhouse gas emissions (GHG) caused by sources owned by or controlled by the company.
Emission factor for electricity generation (tCO₂/GWh)	Emission rate as a result of electrical generation activity arising from the ratio of the amount of atmospheric pollution emitted (tonnes of carbon dioxide) divided by energy generated (GWh).
Installed capacity free of emissions (%)	% that represents the installed capacity in hydro, mini-hydro, wind, nuclear and solar technologies over the total installed capacity at the year-end.
Net production free of emissions (%)	% representing the net output of hydro, mini-hydro, wind, nuclear and solar technologies over total net output.
Activity with ISO 14001 environmental certification (%)	<p>Percentage of Ebitda corresponding to companies certified (*) by means of the environmental management model included in the ISO 14001 standard, with respect to total Ebitda generated by activities that have an environmental impact.</p> <p>(*) Certified companies have been included as companies assimilated to certified companies pursuant to the following definition:</p> <ul style="list-style-type: none"> › Those parent companies whose subsidiaries, of which they are more than 50% owned, are practically all certified. › Those companies that concentrate corporate services only from certified companies. › Those companies whose parent company concentrates corporate services and is certified.
Water consumption	Volume of water consumed by the company's activities.
Consumption of raw materials	Thousands of tonnes of raw materials used in the company's main processes.
Direct energy consumption	It represents the difference between the consumption of non-renewable fuels, electricity purchased for consumption and renewable electricity generated, less the electricity and steam sold.

Continues >

Indicator	Definition
Indirect energy consumption	It represents the consumption by the final use of the natural gas distributed/ marketed.
Generation of hazardous waste (kt)	Amount of most representative hazardous waste generated.
Resources targeted at the prevention of environmental risks	Amount allocated to investments and expenditure on environmental matters.
Distribution of employees by age, country, gender and professional category	Distribution of employees by age, country, gender and professional category at year-end.
Annual average of indefinite and temporary contracts by age, gender and professional category	Percentage of employees recruited by type of contract at year-end and annual average of temporary contracts by age, gender and category.
Rotation index	Layoffs/average staff.
Voluntary rotation index	Voluntary layoffs/average staff.
Number of dismissals by age, gender, and professional category	Number of persons dismissed, either rightly or wrongly, classified by age, gender and professional category.
Salary gap	Difference between men's and women's wages, calculated as the difference between men's and women's wages, divided by men's wages. The result above zero represents the percentage of salary below men that women receive. The result below zero represents the percentage of salary above men that women receive.
Average remuneration by age, gender, and professional category. Average remuneration of directors and senior managers	Amount of the average remuneration of staff classified by country, age, gender and professional category. Amount of directors' and senior managers' remuneration weighted by the number of directors and executives.
Personnel costs (million euro)	Monetary amount representing the staff expenses for the company (wages and salaries, Social Security expenses, defined contribution plans, defined benefit plans, works performed on the company's fixed assets, and others).
Percentage of employees covered by collective bargaining agreements	Percentage of employees by country whose contract is covered by a collective bargaining agreement.

Indicator	Definition
Staff trained (%)	Percentage of staff who have received training.
Total training hours	Total hours of training received by staff.
Annual investment in training (euros)	Total monetary amount invested by the company in employee training.
People with disabilities integration index	Percentage of employees in Spain with disabilities.
No. of lost time accidents	Number of work accidents with days lost (whether or not fatal).
Days lost	Workdays lost due to occupational accidents. Calculated from the day following the day the medical leave is received and considering calendar days.
Fatalities	Number of workers who have died due to work accidents.
Number of hours worked	Total actual hours worked in the company.
Number of days lost	Total days off as a result of recorded occupational accidents.
Lost time accidents frequency rate	Number of accidents with lost time occurring during the working day per 200,000 hours worked.
Lost time accidents severity rate	Number of days lost as a result of work accidents per 200,000 hours worked.
Occupational illnesses	Illnesses caused by work activity.
Absenteeism	Hours of absenteeism due to occupational and non-occupational illness.
Total number of suppliers	Number of suppliers who have remained active (registered in the supplier database) during the year, and who have been awarded purchases in the year; total and broken down by country.
Total purchase volume awarded	Total monetary amount corresponding to the awards of the year, considering 100% of the awards whose period of validity is less than 365 days, as well as the annualised amounts corresponding to 2021 for the awards of more than 365 days.
Purchasing budget targeted at local suppliers (%)	Amount of budget used for the procurement of suppliers located in the geographical area from where the purchases are made over the total procurement budget.

Continues >

Indicator	Definition
ESG (Environmental, Social and Governance) supplier assessment	Total number of suppliers that have been active (registered in the supplier database) during the year, evaluated in accordance with ESG criteria, regardless of whether or not they have been awarded, or have provided a service/product to Naturgy during the year.
Number of critical suppliers	Number of suppliers classified as “High” risk, who have remained active (registered in the supplier database) during the financial year, and who have provided products/services to Naturgy during the financial year.
Official-approval suspended suppliers	Suppliers who have not passed the supplier approval process.
Sponsorship and social action investment	Economic contribution to social action or investment and sponsorship and patronage programmes.
Distribution by type of social action (%)	Distribution of investments by reason for initiatives, broken down according to the London Benchmarking Group (LBG) methodology.
Sponsorship and social action activities	Number of sponsorship, patronage and social action activities carried out by the company.
Queries and notifications to the Code of Ethics	Number of communications relating to the Code of Ethics and Anti-Corruption Policy which have been received by the Code of Ethics Committee.
No. of notifications received per 200 employees	Ratio of number of communications received relating to the Code of Ethics and the Anti-Corruption Policy which have been received by the Code of Ethics Committee per 200 company employees.
Average time for resolving notifications (days)	Average number of days from the time the company receives the communications until it resolves them.
Audit projects analysed on the basis of operational risks	Number of audit projects analysed on the basis of operational risks.
Notifications received in the area of human rights	Number of communications which the company has received concerning human rights.
Number of persons trained on the Human Rights Policy	Number of employees who have taken part in training on the Human Rights Policy.
Tax contribution	Amount of taxes actually paid by country and segmented between those that represent an effective expense for the group and those that are withheld or passed on to the end taxpayer.

3. Greenhouse gas (GHG) emissions inventory calculation methodology

Assessment and reduction of uncertainty

The uncertainty associated with reporting Scope 1 emissions for 2020 is 6.8%.

For facilities under the EU Emissions Trading Scheme, in accordance with Decision 2007/589/EC of 18 July, uncertainties regarding GHG emission values will be lower than those corresponding to the approach levels approved by the competent authority. For all other emission sources, the uncertainty associated with the calculation of GHG emissions is a combination of the uncertainties associated with the activity data and emission factors, using the references established in 2.38. IPCC 2006 GHG, vol. 2, table 2.12.

To minimise the uncertainty associated with the activity data, all emission sources have environmental and quality management systems that conform to ISO 14001:2015 and ISO 9001:2015 standards. In order to minimise the uncertainty associated with the emission factors, official sources are always used, as are, by default, the core values recognised in the 2006 IPCC Guidelines for GHG Inventories.

Methodology

To quantify Naturgy's greenhouse gas emissions, an application and calculation methodology has been developed based on the following standards and methodologies:

- › Scopes 1, 2 and 3 emissions are included according to “The Greenhouse Gas Protocol. A Corporate accounting and reporting standard”.
- › Scope 3 reported in accordance with Corporate Value Chain (Scope 3).
- › It includes the emissions of the six GHG set out in IPCC in accordance with the 2006 IPCC Guidelines for national GHG inventories (hereinafter 2006 IPCC GHG).
- › Standard UNE-ISO 14064-1. Greenhouse gases. Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and removals.
- › Standard UNE-ISO 14064-2. Greenhouse gases. Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements.
- › Standard UNE-ISO 14064-3. Greenhouse gases. Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.
- › Definition of the life cycle in accordance with the UNE- EN-ISO 14040 and ENE-EN-ISO 14044 standards for life cycle analysis.
- › Specific emission factors are used in accordance with the 2006 IPCC guidelines for national GHG inventories (hereinafter 2006 IPCC GHG) and other verifiable documentary and bibliographic sources.

Operational limits

Naturgy's carbon footprint inventory includes GHG emissions from the following group activities:

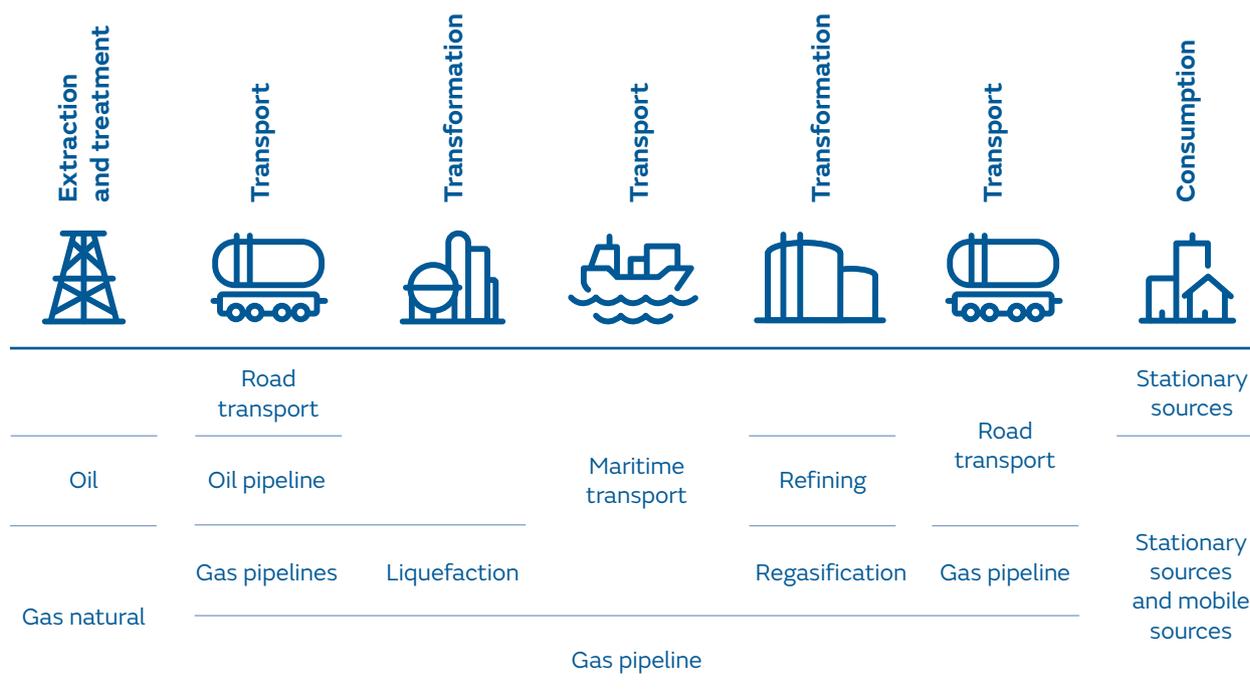
- › Extraction, road transport, maritime transport, distribution and commercialisation of natural gas.
- › Thermal power stations from coal and fuel oil, combined-cycle power stations, cogeneration, generation at wind farms, photovoltaic power stations and hydroelectric power stations.
- › Distribution of electrical power.
- › Emissions associated with the purchase of goods and services including capital assets of turnkey projects hand developed.
- › Offices, fleets and travel.

Within the aforementioned activities, different calculation units corresponding to each of the facilities comprising those activities have been defined. These calculation units or facilities are treated according to the global consolidation criteria, in accordance with the shareholding percentages.

Life cycles of fuels used

Energy (fuels, electricity) is consumed throughout the various processes, producing emissions throughout its life cycle. A diagram with the life cycles of the main fuels used is included below.

The fuels used in both fixed sources (fuels from thermal power stations, offices, gas transport and distribution facilities, etc.) and in mobile sources have been considered.



Electrical energy

Emissions derived from electrical energy have only been considered when it is used in primary energy terms and is not generated by any of the group's calculation units:

- › Electricity consumption purchased from external suppliers.
- › Losses arising from the transport and distribution of energy distributed and not generated by the company in each country.
- › Emissions from the life cycle of the fuels used in the generation mix of each country.

Geographical limits

All the countries in which activities are carried out, as well as the countries from which the fuels originate, have been considered.

For the annual preparation of the inventory, a series of prior studies are carried out to update the initial data, such as the review of gas, coal and crude oil supply routes (there are more than 500 routes connecting 165 extraction points in 30 destination countries)..

Three types of data are updated each year:

- › Characteristics of the extraction points (specific factors depending on the country, technology, type of well or mine, etc.).
- › Definition of the routes themselves (distances from each country of passage and specific factors).
- › Fuel balances in destination countries.

Types of emissions

Scope 1

Direct GHG emissions, meaning those from sources controlled by the company itself.

Scope 2

Indirect emissions due to the generation of electricity that is acquired by the company for its own consumption but is not generated by the group.

Scope 3

Indirect emissions, not included in Scope 2, derived from the value chain of activities, including upstream and downstream emissions, over which the group has no direct influence or control. Within the categories defined by the GHG Protocol, those with a weight of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%. The categories reported are:

- › **Purchase of goods and services and capital goods:** emissions derived from the purchase of goods and services including the capital assets of the turnkey projects developed.
- › **Fuel life cycles:** emissions derived from the life cycles of fuels. This category includes the following subcategories:
 - Emissions from coal extraction, treatment and transport.
 - Emissions derived from the extraction, treatment (liquefaction and regasification) and transport (by gas pipeline and/or methane tanker not owned by the company) of natural gas.
 - Emissions derived from the extraction, treatment (refining) and transport (by oil pipeline and/or oil tanker) of petroleum products.
 - Emissions produced in the life cycles of the fuels used for electricity generation of the energy mix of each country.
 - Emissions due to electricity losses in the transmission and distribution of electricity consumed but not generated.
 - Emissions of energy that has been consumed by the group but not generated and/or distributed.
- › **Business trips:** emissions derived from the movement of employees by plane, train or any other means of transport not belonging to the fleet of vehicles owned by the group. It is divided into two subcategories
 - Trips made by company employees by train.
 - Trips made by company employees by plane.
- › **Employees commutes:** emissions derived from employees commuting from their respective homes to the workplace.
- › **End use of products sold:** emissions derived from the combustion of products, which correspond to those derived from the combustion of natural gas sold by the group to the customer, discounting the gas consumed within the organisation.
- › **Investments:** includes emissions derived from the investment in Unión Fenosa Gas.

Organisational limits

The GHG emissions inventory in the Carbon Footprint Report includes all businesses and activities under financial consolidation criteria, according to the shareholding percentages.

Emission factors used

Unit	Unit	Value	Source
LCV ng	MJ/kg	48.62	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
HCV ng	MJ/kg	53.96	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV petrol	MJ/kg	42.11	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV diesel/gas oil A & C Spain	MJ/kg	43.2	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV ethanol	MJ/kg	26.8	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
LCV biodiesel	MJ/kg	33	IDAE: https://www.idae.es/biocarburantes .
LCV fuel oil	MJ/kg	40.4	IMO: International Maritime Organization.
Density ng	kg/m ³	0.777	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density petrol	kg/l	0.745	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density diesel/gas oil A	kg/l	0.9	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density diesel/gas oil C	kg/l	0.9	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
Density ethanol	kg/l	0.778	IDAE: Biocarburantes.
Density biodiesel	kg/l	0.892	IDAE: Biocarburantes.
Density methane	kg/m ³	0.7175	Metano Fichas técnicas.
Density propane	kg/l	0.5185	Real Decreto 61/2006, de 31 de enero.
LCV propane	MJ/kg	46.2	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
HCV propane	MJ/kg	49.98	Ficha producto CEPSA.
EF CO ₂ petrol	kg CO ₂ /GJ	71.3057	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH ₄ petrol	kg CH ₄ /GJ	0.0077	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF N ₂ O petrol	kg N ₂ O/GJ	0.0008	España, Informe Inventarios GEI 1990-2020 (Edición 2022).

Continues >

Unit	Unit	Value	Source
EF CO ₂ diesel/gas oil A	kg CO ₂ /GJ	74.1	Guía para el cálculo de la Huella de Carbono de la OECC v.15 (junio 2020).
EF CO ₂ diesel/gas oil C	kg CO ₂ /GJ	74.1	Guía para el cálculo de la Huella de Carbono de la OECC v.15 (junio 2020).
EF CH ₄ diesel/gas oil fixed sources ("fs")	kg CH ₄ /GJ	0.01	Sistema Español de Inventario de Emisiones.
EF N ₂ O diesel/gas oil fs	kg N ₂ O/GJ	0.0006	Sistema Español de Inventario de Emisiones.
EF CO ₂ MDO carriers	t CO ₂ /t MDO	3.206	IMO: International Maritime Organization.
EF CH ₄ diesel/gas oil mobile sources ("ms")	kg CH ₄ /GJ	0.0002	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF N ₂ O diesel/gas oil ms	kg N ₂ O/GJ	0.0033	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH ₄ diesel/gas oil power generation	kg CH ₄ /GJ	0.003	Sistema Español de Inventario de Emisiones.
EF N ₂ O diesel/gas oil electric generation	kg N ₂ O/GJ	0.0006	Sistema Español de Inventario de Emisiones.
EF CO ₂ HFO carriers	t CO ₂ /t HFO	3.1144	IMO: International Maritime Organization.
EF CH ₄ fuel oil ms	kg CH ₄ /GJ	0.0071	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF N ₂ O fuel oil ms	kg N ₂ O/GJ	0.002	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH ₄ fuel oil electricity generation	kg CH ₄ /GJ	0.003	Sistema Español de Inventario de Emisiones.
EF N ₂ O fuel oil electricity generation	kg N ₂ O/GJ	0.0003	Sistema Español de Inventario de Emisiones.
EF CH ₄ domestic coal	kg CH ₄ /GJ	0.0006	Sistema Español de Inventario de Emisiones.
EF N ₂ O domestic coal	kg N ₂ O/GJ	0.0008	Sistema Español de Inventario de Emisiones.
EF CH ₄ imported coal	kg CH ₄ /GJ	0.0006	Sistema Español de Inventario de Emisiones.
EF N ₂ O imported coal	kg N ₂ O/GJ	0.0008	Sistema Español de Inventario de Emisiones.
EF CH ₄ coke	kg CH ₄ /GJ	0.0003	Sistema Español de Inventario de Emisiones.

	Unit	Unit	Value	Source
EF N ₂ O coke		kg N ₂ O/GJ	0.0025	Sistema Español de Inventario de Emisiones.
EF CO ₂ natural gas		kg CO ₂ /GJ	56.04	España, Informe Inventarios GEI 1990-2020 (Edición 2022).
EF CH ₄ natural gas fs		kg CH ₄ /GJ	0.005	Sistema Español de Inventario de Emisiones.
EF N ₂ O natural gas fs and electricity generation		kg N ₂ O/GJ	0.0001	Sistema Español de Inventario de Emisiones.
EF CH ₄ natural gas ms		kg CH ₄ /GJ	0.0496	Sistema Español de Inventario de Emisiones.
EF N ₂ O natural gas ms		kg N ₂ O/GJ	0	Sistema Español de Inventario de Emisiones.
EF CH ₄ natural gas electricity generation		kg CH ₄ /GJ	0.001	Sistema Español de Inventario de Emisiones.
EF CO ₂ LNG carriers		tCO ₂ /tGNL	2.75	IMO: International Maritime Organization.
EF CH ₄ natural gas carriers		kg CH ₄ /GJ	0.0496	Sistema Español de Inventario de Emisiones.
EF N ₂ O natural gas carriers		kg N ₂ O/GJ	0	Sistema Español de Inventario de Emisiones.
EF CO ₂ propane		kg CO ₂ /GJ	64.2	OECC.
EF CH ₄ propane ms		kg CH ₄ /GJ	0.062	Sistema Español de Inventario de Emisiones.
EF N ₂ O propane ms		kg CO ₂ /GJ	0.0002	Sistema Español de Inventario de Emisiones.
EF CH ₄ propane fs		kg CO ₂ /GJ	0.005	Sistema Español de Inventario de Emisiones.
EF NO ₂ propane fs		kg CO ₂ /GJ	0.0001	Sistema Español de Inventario de Emisiones.
GWP Methane		kg CO ₂ /kg CH ₄	28	IPCC 6th Assessment Report.
GWP SF ₆		kg CO ₂ /t SF ₆	23,500,000	IPCC 6th Assessment Report.
GWP N ₂ O		kg CO ₂ /t N ₂ O	26,5000	IPCC 6th Assessment Report.
GWP HFC		kg CO ₂ /t HFC	12,400,000	IPCC 6th Assessment Report.
GWP PFC		kg CO ₂ /kg PFC	11,100,000	IPCC 6th Assessment Report.



Verification letters

Independent Review Report on the Sustainability Report and Non-Financial Information Statement



INDEPENDENT VERIFICATION STATEMENT

This Independent Verification Statement is an extract from the Verification Report of verico SCE, number LK-2023-04-HC-NATURGY, prepared as a result of the verification process of Naturgy's Greenhouse Gas Emission Inventory 2023.

Naturgy has commissioned **verico SCE** to carry out the verification of the Greenhouse Gas Emissions Inventory for the year 2023, contained in the document "Sustainability Report and Statement of Non-Financial Information", corresponding to the corporate carbon footprint for the period 2023.

During the verification process of the Greenhouse Gas Emission Inventory 2023, the following elements are reviewed:

- Consistency of the report with previous reports and the emission allocation procedure.
- Implementation of monitoring processes
- Compliance with measures to ensure the accuracy of the required measurements and their quality.
- Information on fuels and raw materials
- Data management
- Completeness and correctness of manual and electronic data flow
- Internal quality control

The verification process checks and confirms the correctness, by an independent third party, of the information given in the annual emissions report, and also examines the annual emissions and the implementation of internal control and management procedures.



Scope:

Naturgy operates in the regulated and deregulated gas and electricity markets, mainly in the following areas:

- Gas and electricity distribution
- Electricity generation and trading
- Gas infrastructure, supply and marketing

The organization has decided to include scopes 1, 2 and 3 in its Greenhouse Gas Emission Inventory..

- Scope 1:
 - Direct GHG emissions, understood as those coming from sources that are controlled by the company itself.
 - These are mainly due to CO₂ emissions from thermal generation of electricity and CH₄ diffuse emissions from natural gas distribution networks.
- Scope 2:
 - Indirect emissions due to electricity generation that is purchased by the company for its own consumption but is not generated by the group.
 - These are mainly due to CO₂ emissions associated with losses in electricity distribution.
- Scope 3:
 - Indirect emissions, not included in Scope 2, arising from the value chain of activities, including upstream and downstream emissions, over which the group does not have direct control or influence. Within the categories defined by the GHG Protocol, emissions with a weighting of less than 1% have been excluded, provided that the sum of all of them does not exceed 5%.
 - These are mainly due to CO₂ emissions in the combustion of natural gas from the end use of the natural gas distributed and marketed.

Inventory coverage groups the entire corporate activity, differentiating the following business segments

1. Generation
2. Electricity Distribution
3. Gas Distribution
4. Gas (infrastructure, supply and marketing of natural gas)
5. Administrative buildings

The Greenhouse Gases contemplated in this carbon footprint calculation are:

- CO₂
- CH₄
- N₂O
- SF₆
- HFC



Inventory Result 2023:

The aggregate result of the Greenhouse Gas Emissions Inventory 2023 is as follows:

Naturgy GHG Emissions Inventory 2023	
	tCO ₂ e
Scope 1	12,463,378
Scope 2	397,497
Scope 3	101,726,269
1. Goods and Services purchased	186,131
2. Capital goods	
3. Activities associated with fuels and energy upstream	25,367,070
6. Business travels	2,068
7. Worker mobilization	5,408
8. Upstream leased assets	
9. Downstream transport and distribution	
10. Processing of products sold	
11. Use of products sold	76,165,592
12. End-of-life treatment for products sold	
13. Downstream Leased assets	
14. Franchises	
15. Investments	



Verification Statement

verico SCE has carried out the verification of the Greenhouse Gas Emissions Inventory of the year 2023, contained in the document "Carbon Footprint Report 2023", corresponding to Naturgy's corporate carbon footprint for that monitoring period, in accordance with the requirements established in the UNE-ISO 14064 and GHG Protocol standards (for the definition of sectoral scopes), and the other rules applicable to Naturgy's Greenhouse Gas Emissions Inventory.

The verification team of verico SCE has reached the opinion that naturgy's Greenhouse Gas Emissions Inventory 2023, is prepared in accordance with the requirements defined in the Standard, complies with the greenhouse gas quantification methodology, and the monitored data and the calculation of emissions are evaluated and confirmed as substantially correct. Verico SCE therefore hereby confirms that the emissions reported during the monitoring period for 2023 amount to **114,587,144 tCO₂e**

Madrid, 15/02/2024

A handwritten signature in blue ink, appearing to read "Jose Antonio Gestó", written over a light blue grid background.

JOSE ANTONIO GESTO
Lead Verifier

VERICO SCE is a European Cooperative Society accredited by the Accreditation Body in Germany, DAkkS (D-VS-19003-01-00), for the verification of Greenhouse Gas emissions, according to ISO 14065 (translated as UNE EN ISO 14065 in Spain and DIN EN ISO 14065 in Germany) and EU Regulation n° 600/2012. Likewise, VERICO SCE is accredited for the verification of non-regulated schemes, such as EN ISO 14064-1; IN ISO 14064-2; and EN ISO 14064-3.

Independent Verification Statement on the Emission of Greenhouse Gases



Certificate

The Greenhouse Gas Emissions Inventory for the year 2023 of

NATURGY

meets the requirements according to UNE ISO 14064-1

Verification carried out in January 2024 at Naturgy's Headquarters (Spain).

GHG emissions amount to:

Scope 1:	12,463,378	tCO _{2e}
Scope 2:	397,497	tCO _{2e}
Scope 3:	101,726,269	tCO _{2e}

Total Emissions 2023:
114,587,144 tCO_{2e}

Certificate N° LK-2023-04-HC-NATURGY



Langenbach, 6th March 2024

Javier VALLEJO DREHS

verico SCE, Hagenastrasse 7, 85416 Langenbach, Alemania

verico SCE is accredited by DAkkS according to DIN EN ISO 14065: 2022.
Accreditation applies to the scopes detailed in the
certified D-VS-19003-01-00.

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