ANNUAL REPORT
2021

ÍNDICE

01.

Message from the Chairman and CEO

Letter from the Chairman **Iñaki Alzaga**

"We are committed towards contributing to sustainable development through energy"

Financial year 2021 for Nortegas reflects the company's capacity to continue creating value for society, its investors, and short- and long-term stakeholders as a whole in a difficult socioeconomic situation. We therefore seek to show our zeal to innovate and contribute effectively to solving the challenges of the communities in which we operate, through the chapters of this Annual Report.

In 2021, the global agenda was still determined by the COVID-19 pandemic, although the various vaccination campaigns were fortunately able to mitigate the health crisis and lay the foundations for the recovery and normalisation of activity. However, some effects of the pandemic remain present, and the lessons learned from this global crisis remain latent and, in the case of Nortegas operations, they involve a renewed focus on well-being and safety.

This situation has recently been exacerbated by the various geopolitical impacts resulting from the dramatic war in Ukraine, the energy crisis and the crises involving other natural and food resources, which has forced businesses and society to face new, more complex challenges. As for Nortegas, these circumstances have highlighted the strength of corporate values more than ever: innovation, customer focus, transparency, sustainability and responsibility. All this, of course, without forgetting the essential role of the excellent workforce that supports the company's business and activity.

"Distribution infrastructures, a key ally in the energy transition"

The energy system is undergoing an extremely complex and disruptive period, emphasised by the Russian invasion of Ukraine and the scaling of prices in energy markets, which requires rethinking the European energy strategy and reducing and diversifying its external dependencies. In this regard, the main lever to speed up this process has been the REPower EU plan, with measures to diversity the supply of gas and ensure the resilience of the energy system. However, the geographic location of Spain and the lower importance of Russian gas on our supply -below 10%- in comparison with the European Union, considerably reduce our risks regarding access to energy.

In fact, REPower EU and other long-term Community developments included in the Green Pact and the NextGenerationEU funds highlight the suitability of

our country as a hub for energy transition. This is because the Spanish gas system has a top-quality infrastructure, with great storage and regasification capacity that guarantees access to a safe and permanent short-term energy supply and whose role will be essential in meeting the goals for sustainable European transition. Gas distribution networks are set to be a key long-term asset in decarbonisation of the economy given their suitability to replace other more polluting energy alternatives. They are also a vital ally for the sustainability of sectors in which electrification is difficult, such as heavy-duty transport.

Current gas infrastructures allow for the immediate integration of renewable gases, which is a great financial benefit in terms of meeting European and national environmental goals. The injection of biomethane into our gas distribution infrastructure is also a boost to the circular economy, improving air quality and promoting the use of renewable fuels. Biomethane is a known, technologically mature source of energy that helps meet decarbonisation goals, and it is fully usable by industries without them having to modify their production processes, i.e. it allows for the short-term decarbonisation of our industry, maintaining its levels of competitiveness. At the national level, new regulatory instruments such as the Biogas Roadmap, the PNIEC or the Recovery, Transformation and Resilience Plan are positive outlooks for increasing the relevance of biomethane in the transition to a more sustainable energy model. As the success of its deployment in other European countries shows, a greater institutional push towards biomethane is required to drive the ecological transition and ensure quality energy supply, as its implementation would speed up climate neutrality and circularity plans in line with the Fit for 55 legislative package, the commitments set out in COP26, and the Kunming Declaration.

Likewise, hydrogen is expected to be an essential energy vector of the future socioeconomic model. Although it is true that there are still technical challenges for its implementation, the trust placed by investors and regulators in this alternative energy predict an optimistic future for this source of energy.

In view of all this, ensuring a favourable economic and regulatory environment for the distribution networks will be key on the road towards an efficient energy transition, fostering the shift from more polluting energy vectors.

"Nortegas: a comprehensive energy services company"

In this context, Nortegas has approached the difficult challenge currently faced by the sector as a unique opportunity to consolidate our transformation, strengthening our leadership as industry leaders, and demonstrating the growth capacity of our organisation. As well as the deployment of new networks, the Nortegas networks and infrastructure are prepared to use the potential of renewal gases: biomethane in the short term and hydrogen in the medium and long term. Hence, 2021 has been a year of evolution and

development for Nortegas insofar as the maturity of a range of comprehensive energy services is concerned.

At operational level, the most noteworthy events include consolidation of the sustainability mobility strategy thanks to the development of VNG stations through our agreement with Repsol and the deployment of smart meters, another cornerstone in company innovation and digitisation supported by the Bidegas project.

Nortegas is actively working on turning the integration of hydrogen into our gas distribution networks a reality in the medium term, and this year we launched the first strategic advanced research project for the safe injection of hydrogen into the gas network by blending it with natural gas in variable percentages, highlighting the innovative and pioneering nature of the company. In addition to this, the recent announcement of the construction of the first national biogas plant in Soria, for the injection of biomethane into the current natural gas distribution network.

"A decisive time to support energy transition based on innovation, sustainability and efficiency"

At Nortegas, the vision shared by the company as a whole is based on providing our experience in energy infrastructure and solutions to progress towards a decarbonised economy. Despite current and future challenges, we will continue to supply energy to homes and companies, endorsed by a solid, consolidated company that promotes generating a positive impact on all our stakeholders. The corporate responsibility of tackling this shared challenge also includes the commitment to do so with drive, the desire for self-improvement and the creation of shared value for all society. We therefore continue to make every effort to improve our level of efficiency and performance, integrating young, diverse talent throughout our operations and placing the interest of the communities in which we operate at the centre of our decision-making processes.

Lastly, Nortegas sees the coming years as a unique opportunity for the development of a sustainable project to continue creating value for our shareholders, partners, customers and employees. I would therefore like to take this opportunity to thank them all, once again, for their trust in us, which has enabled us to remain a key figure in the domestic energy sector.

Letter from the CEO **Javier Contreras**

I would like to start this letter by highlighting the work of all those who form part of the Nortegas team in ensuring the company has been able to provide a firm, resilient response to this challenging situation for the energy sector. Their innovative spirit and leadership calling have been able to transform the risks into opportunities and turn Nortegas into a benchmark in the areas in which it operates. Nowadays, Nortegas stands out for the importance of its 8,435 kilometres of networks in the continuity of the energy supply in this agitated geopolitical situation and for its long-term potential for the decarbonisation of the economy through green energy solutions.

Last year's milestones proved that, in a disruptive, uncertain environment, Nortegas has consolidated its transformation towards sustainability through its strategic plan, yet it still maintains its philosophy of innovation, financial strength and customer focus at a key time for the energy sector.

"Over recent years, Nortegas has consolidated its transformation and has laid the foundations to contribute to a sustainable energy transition"

The main factors of the gas distribution business continued to rise in 2021 in line with the organic growth plan in areas of low penetration and seeking greater network saturation, amounting to 968,233 natural gas connection points and 88,646 LPG points, highlighting the purchase of over 5,400 LPG connection points from CEPSA. Hence, distributed energy reached 30,077 GWh, which is up on the 2020 figures (+9.8%) driven by the economic recovery.

Within the gas distribution sector, another line of development involved the activities for the digitisation and efficiency improvement of infrastructures. Within this area, Nortegas continued to innovate through the expansion of the experimental Bidegas project in which we replaced hundreds of analogue meters with digital in the Basque town of Alonsótegui, paving the way for a safer, more responsible and efficient energy consumption through the digitisation of our networks. Therefore, Nortegas hopes that the component bodies give the go-ahead -and regulatory support- to ensure the deployment of smart meters in natural gas networks in Spain can soon become a reality in line with European digitisation strategy. Its cost-profit analysis has been approved in recent months and, therefore, its positive final resolution will be one of the keys to the implementation of digital meters throughout Spain and to the efficient integration of digitisation and sustainability into energy infrastructure.

Nortegas has taken a step further over the past year, consolidating a transformation process resulting from our 2020-2026 strategic plan. What were once forward-looking plans are now, to a greater or lesser extent, fully established activities in company operations through which Nortegas seeks to secure sustainable growth and ensure the relevance of natural gas distribution infrastructures within the context of the energy transition.

This is the case of biomethane, a fundamental vector not only for decarbonisation and to ensure the energy supply but also for the circular economy. Since 2020, the Nortegas team has been working on developing of new projects in this area, leading to the start of construction work at the end of 2021 on what will be the first biogas plant in Spain designed for direct injection into the distribution network, located in Ólvega (Soria). This process will allow for the recovery of over 65,000 tonnes of waste and the injection of 40 GWh of renewable gases into the networks, which is the equivalent of the energy consumption of over 8,000 households. This milestone is an essential step in the deployment of biogas, a source of renewable energy that, through mature technology that has been widely proven in countries of our environment, can be quickly integrated into the domestic energy model thanks to the suitability of the existing infrastructure for its distribution.

With regard to green hydrogen, its decarbonising potential could allow for a reduction of around 540 million tonnes of CO_2 a year in Europe by 2050, solving the problems of seasonality in the production of renewable energy and helping ensure the independence of the energy supply which is one of the cornerstones of REPower EU along with biomethane. Along these lines, the company is striving to promote innovation projects to strengthen the potential of natural gas distribution infrastructures to contribute to an efficient energy transition. One example of this is our leadership in the H2SArea project, the goal of which is to prove and demonstrate the capacity of the different components of the gas distribution network under different hydrogen and natural gas blending scenarios, including 100% hydrogen environments. The tests started on the H2Loop platform in December 2021 and will lead to the development of new technological solutions, equipment and components for a progressive transformation of the distribution network and its components to contribute to the development of the green hydrogen economy. H2SArea is just one of other initiatives that are turning Nortegas into a benchmark in the energy sector, such as the start of the first green hydrogen plant nationwide along with White Summit Capital, Castleton Commodities International (CCI), SENER and Bizkaia Energía or our partnership with Duro Felguera and Hunosa for a set of green hydrogen projects in the Asturian mining basins.

Nortegas has also continued to support sustainable mobility through vehicular natural gas (VNG). In addition to our first station located in Sestao, which is now fully operational, three new charging stations have been commissioned in Oiartzun, Gijón and Madrid, and the processing and construction of another seven locations has begun, all of which are to be commissioned in 2022 in different regions. The capacity of VNG to improve air quality and its lower impact in terms of emissions make it an essential ally in the energy transition.

This performance, along with the fact that no serious accidents were recorded within our operating perimeter during 2021, highlights the strength of the company's team of professionals.

"At Nortegas, sustainability is intrinsic to the business model because it is essential in ensuring its long-term viability"

Good business performance is fostered by the incorporation of ESG criteria into all of the company's operating processes. At Nortegas, sustainability is intrinsic to the business model because it is essential in ensuring its long-term viability. Hence, the company has included the recommendations of the TCFD in this report, we have fully measured the carbon footprint and, more particularly, we have set ambitious long-term reduction goals. However, sustainability is not a synonym of decarbonisation for us but a holistic concept that includes other areas, as is highlighted by our environmental due diligence procedures, the maturity of our corporate governance processes through our ethical culture, the satisfaction of our users and our quality control processes, the launch of our diversity, equality and inclusion strategy, and our commitment for social impact in the communities in which we operate through partnerships with food banks and local foundations.

This good performance was assessed externally by ESG analysts as GRESB, which gave Nortegas the highest rating (5/5) with a score of 92, and by the financial market through the signing of our first sustainable loan for Nortegas Green Energy Solutions and our refinancing operations.

Once again, Nortegas has published its progress report in line with the ten principles of the Global Compact and with the sustainable development goals, showing its strong commitment to human rights, labour practices, the environment, and the fight against corruption.

"Nortegas, an innovative energy infrastructure organisation fully effective in the short term and prepared for the long term"

These outlooks, along with the renewed trust of our shareholders in a shared vision regarding the role of Nortegas in the energy transition, boost us to remain on the track established in our strategic plan, which was supported in 2021 with a level of investment of 38.5 million euros (33% higher than in 2020). This financial effort aimed at consolidating its transformation as a comprehensive energy infrastructures and services group has increased its revenues to €225.3M (4% up on 2020) and given an EBITDA of €171M (1.9% above 2020). All this enables us to demonstrate the leadership and contribution of Nortegas to the well-being of the community and to the improvement of the environment, both short and long term.

02.

Key figures

ECONOMIC FIGURES 2021

Revenues	225.1 million euros
Capex	38,5 million euros
Gross value of assets (tangible, intangible and goodwill)	3,504 million euros
EBITDA (margin)	178 million euros (78.9%)
Sustainable finance	130 million euros

TECHNICAL FIGURES 2021

Connection points	1,056,879
Network length	8,435 km
Natural gas network	7,956 km
LPG network	479 km
Distributed energy	30,077 GWh
Customer satisfaction index (0-10)	8.5
Decrease in the number of emergency calls	1.7%
TCR index	2.4

SOCIAL FIGURES 2021

No. of employees	218
Women in leadership positions	40%
% Fixed contracts	100%
Wage gap (reduction in comparison with 2019)	3.3 % (-3.8 p.p.)
Equivalent percentage of employees with disabilities	4.3%
Frequency rate (own employees and contractors)	0
Hours of training per employee	29
Training cost per employee (€)	574
Indirect employment	540

ENVIRONMENTAL FIGURES 2021

Direct CO_2e emissions (scope 1)	4,969 tCO_{2e}
Scope 2 CO_2e emissions	0 tCO_{2e}
Total CO_2e emissions (scope 1, 2 and 3)	10,406 tCO_{2e}
Energy consumption MWh (reduction in comparison with 2020)	2,083.7 (-17.1%)
Water consumption m^3 (reduction in comparison with 2020)	1,129 (-8.4%)
Waste, tonnes	19,732 (-1.3%)
Recovered waste	100%

03.

The sustainable transformation of Nortegas

3.1. Sustainable strategy

"Nortegas fosters the integration of ESG criteria into the energy system through its sustainable business strategy"

Nortegas strategy is aimed at using the opportunities of the energy transition right from the very core of the business, maintaining service excellence and financial buoyancy. But it does not stop there, as sustainability has been integrated into all the operating and decision-making processes due to its commitment to responsibility and to the benefits it provides for the long-term survival of the organisation, as can be seen by the sustainable loan obtained by the company.

STRATEGIC PILLARS

Although the significance of renewable gases remains inferior in comparison with the traditional gas distribution business, Nortegas is one of the most innovative companies in the market and its strategic plan shows its aim to continue along these lines. The company strives to transform the sector in the regions in which it operates, reinforcing the role of the gas distribution network as a fundamental element in the energy transition and positioning the company as a key agent in this process under solid sustainability and corporate social responsibility criteria.

The European geopolitical context, the sustainability commitments of the EU -which have come into force through instruments such as the taxonomy of sustainable activities- and REPower EU have further shown the suitability of renewable gases as an alternative energy for a sustainable energy model and gas as a decarbonisation vector.

Therefore, the activities of Nortegas as an energy infrastructure solutions company for natural gas and renewable gases, focus on four strategic pillars that seek to maximise the opportunities and minimise the risks of the energy transition while continuing to have a positive impact on the communities in which it operates.

PILLAR	AXES	DESCRIPTION
Pillar 1: Regulated distribution business growth	Affordable and clean energy	Ensuring access to a cleaner and more affordable energy supply for homes and businesses. Promote the optimization of the network's reach and the saturation of a market with room for growth for both end consumers and the industrial sector.
Pillar 2: Innovation and new businesses	Alternative uses of natural gas	Promoting new uses of natural gas as an alternative to more carbon-intensive fuels, helping to reduce the polluting profile of sectors and users.
	Sustainable infrastructure	Promoting innovation in "cleaner" energy sources, such as biomethane and hydrogen, and support the ecological transformation of the sector in collaboration with other key social agents, from public entities, trading companies, research centres and academic institutions.
	New solutions	Promoting the incorporation of technological innovations in the economic activity of Nortegas to improve the quality of the service and the development of new solutions.
Pillar 3: Efficiency maximization	Intelligent use of resources	Improving efficiency through a review of operational, structural and commercial processes. Maximize synergies within the company through a common strategy that encompasses the new business lines and the gas distribution activity.
Pillar 4: Sustainable growth	Good governance	Ensure a dynamic and effective decision-making process, through the appropriate composition and structure of governing bodies and defining and review of internal processes.
	Safety and prevention	Ensure the safety of processes and solutions, both for Nortegas operations and for the users and communities it serves, with a focus on prevention and prediction, but with the necessary capabilities and protocols to respond effectively if needed.
	Talent	Strengthen the role of people and teams as the basis that makes everything possible.
	Social and environmental impact	To ensure that Nortegas has a positive impact on the communities in which it operates, through the inclusion and involvement of stakeholders.

SUSTAINABILITY STRATEGY 2022-2025

These four pillars are integrated into the company through the strategic sustainability plan 2022-2025, which takes its cues from the company materiality analysis and the business goals of Nortegas. The plan sets out targets with quantifiable goals that seek to improve the sustainable performance of the company and improve the quality and the non-financial information extraction processes.

TARGET	KPI	2022 TARGET	2025 TARGET
Safety of our stakeholders	Frequency and severity rates (own employees)	<0.15	<0.15
Information security	Cybersecurity breaches	0	0
Supply quality	TCR index[1]	2.1	2
Development of our talent	Hours of training per employee	35	40
Diversity, equality and inclusion	Percentage of women in leadership positions	40%	42%
Ethics and compliance culture	Percentage of the workforce trained in compliance and ethics	100%	100%
Customer orientation	Satisfaction with service provided	>7.5/10	>8/10
Control and reduction of emissions	Reduction of scope 1+2 emissions[2]	21%	29%
EU Taxonomy: Green activities	Revenues from green activities (millions of euros)	0.3	10.4
Support for our communities	Percentage of philanthropic investment in relation to revenue	0.04%	0.05%

[1] Calculated as outage duration times the number of affected supply points divided by the total number of supply points.

[2] Reduction in 2024 compared to the 2018-2020 average

3.2. The business activities of Nortegas

Nortegas is a comprehensive energy services company that is committed to the energy transition and the circular economy, whose business is focused primarily on the distribution of natural gas and liquefied petroleum gas, and the promotion of the generalised use of clean and sustainable fuels, fostering initiatives and activities involving renewable gases, biomethane and hydrogen, and other supplementary services to energy infrastructures.

Nortegas activities therefore favour the circulation of natural gas and renewable gas through the existing gas infrastructure, guaranteeing short-term access to energy and transition to a sustainable long-term model.

Energy distribution infrastructures are currently a key asset, as they are the backbone of the energy system. This will remain the case in the long term, as they play a key role in the energy transition towards renewable gases.

NATURAL GAS

Revenues	€194.8 M
Investments	€24.0 M

LPG*

Revenues	€30.5 M
Investments	€8.3 M

** Includes purchase of LPG points from CEPSA*

NEW BUSINESSES AND SUPPLEMENTARY SERVICES

Investments	€6.2 M

APPLICATIONS OF GAS FOR COMPANIES AND HOMES

DOMESTIC USE
For kitchen, heating and hot water

INDUSTRIAL USE
Supply to companies

ELECTRICITY GENERATION
Through gas or combined cycle turbines

TRANSPORT
Fuels for vehicles

INFRASTRUCTURE FOR SUSTAINABLE TRANSITION

Guarantee of access to energy

Decarbonisation and circular economy

Digitisation and technological progress

Sustainable mobility

3.3. Mission, vision, purpose and values

The purpose of Nortegas is to be an agent of change towards a more sustainable world at the service of present well-being and future society. We therefore make every effort using our know-how, as can be seen in our corporate values.

Our experience in the energy sector enables us to offer innovative solutions to the challenges faced by the communities in which we operate, to which we offer our customer focus and responsibility.

MISSION

With the greatest commitment to ethics, our team works to offer a platform of competitive and innovative energy solutions, prioritizing safety and excellence to reinforce the trust of our customers and move towards a sustainable society.

VISION

We provide our experience in infrastructures and energy solutions in order to move towards a decarbonised economy, committed to collaborating in this joint challenge using drive, the desire to improve, and the creation of shared value for society.

PURPOSE

To be an agent of change towards a more sustainable world, putting our experience in energy solutions at the service of the present and future well-being of society and the territory that surrounds us.

CORPORATE VALUES

INNOVATION — **CUSTOMER-ORIENTED** — **TRANSPARENCY** — **SUSTAINABILITY** — **RESPONSIBILITY**

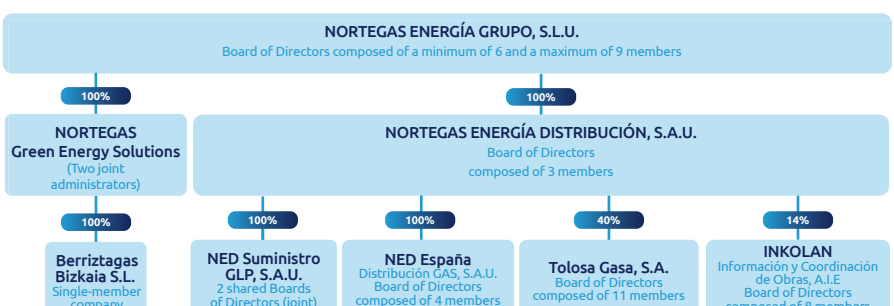
3.4. Corporate and ownership structure

Since 2018, the group operates under a single brand in all its markets and activities: Nortegas, which has led to brand positioning and customer relations that are now the company's hallmarks.

The international consortium formed by Infrastructure Investments Fund (IIF), Swiss Life Asset Management and Covalis Capital has intensified its commitment towards the company, acquiring full ownership of the group. This shows the strength of the relationship between Nortegas and its investors that, since 2017, has strived to ensure the company integrates sustainability into its operations and diversifies its business lines, maintaining its financial buoyancy despite the pandemic and the geopolitical instability.

"Nortegas has a corporate structure that is adapted to the different business lines, as well as to its purposes and its corporate values"

The corporate structure of Nortegas is adapted to the different activities of the group, with specific companies for its business lines such as the distribution of natural gas, of LPG and of Nortegas Green Energy Solutions, the company under which renewable gas and sustainable mobility projects are implemented, fostering their implementation with financing mechanisms or developing related added value services. This and the other companies in the group will uphold their commitment to R&D activities, both independently and through partnerships with public and private institutions, which are aligned with company strategy and encourage the future implementation of commercial projects.



3.5. Fostering the sustainable transition through energy infrastructure

GAS DISTRIBUTION

Traditionally, one of the company's main activities has been the management of natural gas and LPG assets in the regulated distribution market, as well as the supply of LPG. In its aim to foster technological development and the energy transition, Nortegas has strengthened its position in other areas, such as vehicular natural gas and the digitisation of the distribution network.

"Nortegas is the second largest gas operator in the Spanish market. It primarily conducts its business in Asturias, Cantabria and the Basque Country, where its distribution networks cover 8,435 kilometres and in which it has over one million supply points"

NATURAL GAS AND LPG

Nortegas activity is based on the distribution infrastructure that combines the primary natural gas transport system in Spain with the access points.

The activity includes the promotion of new infrastructures, their development and construction, as well as the operation, maintenance and continuous improvement of the networks.

Nortegas interacts with the marketing companies that use the company network to supply end users from the industrial and domestic sectors.

In the case of LPG, the company is also involved in end supply activities.

SUPPLY POINTS

	Asturias	Cantabria	Basque Country	Castilla y León
Natural gas supply points	225,287	184,314	558,632	
LPG supply points	17,915	33,497	36,849	385

In all the segments mentioned, 2021 has been a year of growth and development of new projects for the company.

SUPPLEMENTARY ENERGY SOLUTIONS

Nortegas, a benchmark in the energy sector due to its know-how, financing capacity, and freedom for marketer selection.

Nortegas offers centralised boiler financing and maintenance solutions for communities of residents in its interest to offer facilities to transform boilers that currently use more polluting fossil fuels and to offer quality, high added value services to customers wishing to replace an old boiler with a cleaner, more efficient one.

VNG

Vehicular natural gas is an ally in the energy transition due to its capacity to integrate sustainability into the mobility sector, which is why Nortegas has implemented projects related to this area over recent years.

In collaboration with Repsol, Nortegas has invested in the implementation of a network of natural gas stations, including the one at Sestao which was the first to be developed as part of this strategic agreement.

Both liquefied natural gas (LNG) and compressed natural gas (CNG) have the increasing supply of more and more players in the market due to their benefits on air quality, the environment, and noise emissions.

SMART METERS

The company focuses its efforts on innovation and continuous improvement projects for gas distribution, one example being the implementation of smart meters. These devices allow for real, automatic and remote readings of gas consumption, making them a more sustainable and effective option than the analogue alternative.

Deployment of the network of smart meters is a great advance in terms of security, as it alerts the user immediately in the event of any emergency.

BIOMETHANE

In terms of the business transformation of Nortegas, one of the main initiatives towards sustainability is biomethane. This is a combustible, renewable gas that can be obtained from biogas generated from the biodegradation of the organic matter.

It contributes towards the development of the circular economy and, in turn, favours the energy transition, making it one of the most effective technologies at present for the energy recovery of organic waste.

Because its characteristics are very similar to those of natural gas, it has the advantage that the two are entirely interchangeable.

FIRST NATIONAL BIOGAS PLANT

In 2021, Nortegas has worked actively on the deployment and promotion of new opportunities regarding biomethane, which led to investment by Nortegas in the first plan designed at source for biomethane production in Spain, in Ólveda (Soria).

"Nortegas is developing new projects for the production and injection of biomethane from different organic origins in the gas network"

HYDROGEN

Green hydrogen is another initiative of Nortegas in order to be able to meet current demand for natural gas through renewable gases.

Renewable hydrogen (H_2), produced by separating water (H_2O) into its elements, is an energy vector with great potential in the decarbonisation of the economy. This is because hydrogen is a gas that produces no direct greenhouse gas emissions.

Although traditionally obtained from fossil fuels (known as grey, brown or black hydrogen), alternatives have been developed to generate hydrogen from the water electrolysis process. The generation of renewable energy has increased over recent years and, therefore, green hydrogen can be generated from these sources. The main challenge, however, is to lower their cost.

This renewable hydrogen can be distributed along dedicated hydrogen pipelines or blended with natural gas or biomethane in the current natural gas distribution networks, an area in which Nortegas is leading the way in technological development through the H2SAREA project. This would use existing infrastructure, over 90,000 km in Spain, thus lowering hydrogen distribution costs and providing all customers connected to the natural gas network with access to this renewable gas through the purchase of its guarantees of origin.

"Nortegas is committed to innovation and the development of blending and renewable generation demonstration projects involving green hydrogen"

PROJECTS IN PROGRESS

H_2C
Initiative to promote green H_2 use and increase it presence in the market.

benorthH_2
First green hydrogen generation plant for electricity generation and network injection supplying via virtual PPAs.

H_2sarea
Boost the safe injection of hydrogen in the natural gas distribution infrastructures and research into the behaviour of materials and components.

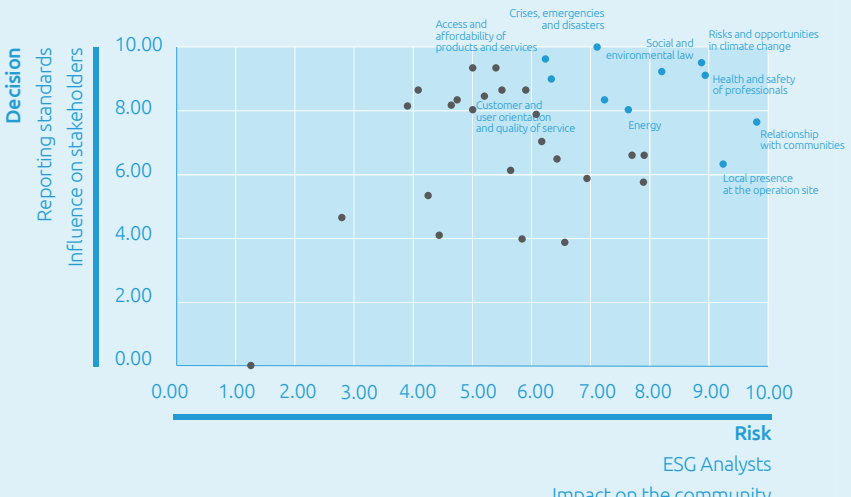
H2UDF
Green H_2 generation facility from mine water and inhection onto the natural gas distribution grid.

3.6. The keys of our business

3.6.1. Materiality and material issues

"The energy transition, assuring supply, operational excellence, and the integration of sustainability into all our decision-making processes are the most material issues for Nortegas"

Nortegas conducted a materiality analysis in 2020 in line with the method indicated in the annexes of this report in order to ascertain the most relevant issues in terms of sustainability and business management. The analysis has remained valid over the past year thanks to its forward-thinking nature. In fact, certain material issues identified during the process have been particularly significant over the past year, such as accessibility and affordability of the products and services, or the importance of social and environmental law.



Along these lines, the main material issues for Nortegas are:

Material issue	Management focus	Chapter in which it is described
Risks and opportunities in climate change	Risks and opportunities in climate change Nortegas carried out an exhaustive analysis of its climate change risks and opportunities in 2021, integrating TCFD recommendations. The strategic support of the regulator, the shareholders and the investors show the trust placed in the distribution infrastructures as allies for the energy transition.	Good governance, social and environmental impact
Health and safety of professionals	Nortegas has an Occupational Health & Safety Management System, certified under Standard UNE-EN ISO 45001:2018, to ensure safe and healthy working conditions and to improve occupational health and safety performance.	Safety and prevention
Social and environmental law	The company has a legal compliance and crime prevention management model, based on the Crime Prevention and Compliance Policy and aligned with the ISO 19600:2015 and UNE 19601:2017 Standards. It also has an Environmental Management System certified under ISO 14001:2015 and an Occupational Risk Prevention System certified under ISO 45001:2018.	Good governance, social and environmental impact
Relationship with communities	Nortegas has a stakeholder management plan that was approved by the Board of Directors and, alongside this, has identified risks and opportunities related to the needs and expectations of its stakeholders, which has been integrated into the everyday operations of the organisation. Nortegas is part of the Spanish network of the United Nations Global Compact.	Social and environmental impact
Crises, emergencies and disasters	Since 2019, Nortegas has had a Crisis Management Plan in force that seeks to preserve the Nortegas business and protect the company's reputation. To do so, it sets the criteria for identifying and classifying crisis situations, assigns responsibilities in the management of crisis situations, establishes communication strategies and processes in crisis situations, and supplements the existing Nortegas Emergency and Self-Protection Plans. It also has a cybersecurity plan.	Safety and prevention

Access and affordability of products and services	When Nortegas conducted its latest materiality analysis in 2020, energy accessibility and affordability were already underlined as a material issue. The latest geopolitical events have highlighted this issue even further, raising its relevance to a specific dimension. In response to this, it is now more than ever important for the sustainable transition to be efficient and based on the gas distribution infrastructure to guarantee access to the energy supply.	The energy transition through Nortegas
Energy	Nortegas has an environmental management system certified under ISO 14001:2015, which has a policy that establishes and determines the company's environmental commitment through the following principles: Protect, Raise Awareness, Listen, Comply, Improve and Ensure. There is an operational control of the main environmental issues, and improvement goals are set.	Social and environmental impact
Local presence at the operation site	Infrastructures have a lasting presence in the environment and, therefore, Nortegas understands it necessary to build and strengthen lasting relationships with the people around them. For this reason, the company undertakes initiatives that benefit the development of the areas in which it operates. Over the past year, the company has added new regions to its area of operations, and it will strive to remain a benchmark for local communities, as is the case in its traditional regions.	Social and environmental impact
Corporate governance	Grupo Nortegas' corporate governance management model follows the best practices required by the capital market. The corporate governance of Nortegas ensures the integrity of the decision-making processes -through governance bodies and an authorization tool-, and the adequate dissemination of these decisions in the company. Company representation is defined through its legal representations, in line with its matrix of corporate powers.	Good governance
Customer and user orientation and quality of service	The customer service system ensures that the relationship with end users is in line with the quality policy of Nortegas. The quality of service is also ensured through the management of other matters, such as the safety, health, and well-being of the consumer; or crises, emergencies and disasters. Nortegas is certified under the Quality Management System ISO 9001:2015.	The energy transition through Nortegas

Given the activities and markets in which it operates, Nortegas has identified a series of critical factors that determine its ability to generate shared value in the regions in which it operates. As a result, the critical factors are related to the financial capital and the business of the company, as well as the social, relational and environmental capital of the stakeholders with which it is related.

CRITICAL FACTORS OF THE NORTEGAS BUSINESS AND ITS RELATION TO THE ESG STRATEGIC PILLARS

SAFETY AND PREVENTION

- Crises, emergencies and disasters
- Health and safety of professionals
- Community safety
- Consumer safety, health and well-being
- Cybersecurity
- Information security and data protection

GOOD GOVERNANCE

- Corporate governance
- Institutional relations
- Customer and user orientation and quality of service
- Ethics
- Corruption and bribery
- Financial performance

TALENT

- Talent attraction and retention
- Labour rights
- Career development

SOCIAL AND ENVIRONMENTAL IMPACT

- Energy
- Waste and effluents
- Emissions and pollution
- Risks and opportunities in climate change
- Ecosystems and biodiversity
- Human rights
- Relationship with communities
- Innovation

KEY STAKEHOLDERS

• **Financial:** given the nature of the Nortegas business, significant investment is required aimed at developing the network and at innovation, for which stable financial support is essential.

• **Institutional:** the natural gas distribution activity is strategic for local socioeconomic development, so Nortegas has a close and ongoing relationship with the authorities. On the one hand, the energy market is highly regulated and there is growing environmental legislation in this regard. On the other, given the high degree of technicality of the distribution activity, Nortegas exercises a consultative and advisory role with authorities and regulators.

• **Customers and end users:** the common link in the relationship with the different customer profiles of Nortegas, associated with its two main businesses (natural gas distribution, and LPG and VNG distribution and supply and, in the medium term, biomethane and hydrogen distribution), is the assurance of a quality energy supply without incidents.

• **Industry:** industry is a key player given its economic importance and its relevance in the energy transition. For Nortegas, its relationship with the industrial sector is relevant in the company's role in energy supply and its commitment to integrate renewable gases into the distribution networks, as in the partnerships established through innovation projects.

• **Employees and operations:** knowledge of the market, its regulation and the technologies available are key in ensuring excellence in Nortegas operations and lie in its professionals. The companies' ability to ensure a correct generational transition will therefore be important over the coming years.

• **Local community:** the minimisation of negative impacts and the interrelation strategies with its stakeholders are fundamental in the social standing of Nortegas.

3.6.2. Contributing to sustainable development

Nortegas belongs to the **Global Compact Network**, having renewed its commitment with its ten principles. As a sign of its commitment to the global agenda, Nortegas has identified Sustainable Development Goals (SDGs) to which it can make the greatest contribution through its purpose and its business activity:

FINANCIAL CAPITAL	INDUSTRIAL CAPITAL	INTELLECTUAL CAPITAL	HUMAN CAPITAL	SOCIAL AND RELATIONAL CAPITAL	NATURAL CAPITAL
					
€225.1M revenue **78.9%** EBITDA margin **€130 M** sustainable financing	**1,056,879** supply points **8,435km** network length **€3,545 M** value of assets	**€38.5M** investment **1st** biomethane plant **3** VNG stations **+5** hydrogen projects **29h** average training	**218** employees **0** serious accidents **100%** permanent contracts **40%** women in positions of responsability **540** indirect employment	**30,077 GWh** distributed energy **8.5/10** customer satisfaction **4.3%** eq. employees with disabilities **8** social initiatives	**10,406 tCO_2e** scope 1+2+3 **4,960 tCO_2e** scope1 **0 tCO_2e** scope 2 **100%** recovered waste
Nortegas is a financially solid organisation, able to generate revenue and operate efficiently. Its finacial performance also depend on its sustainability performance, as the company has obtained a sustainable loan linked to ESG objetives.	The value of Nortegas lies in its energy infraestructure. The company's networks will be able to transport other more climate-friendly gases, so their long-term value is guaranteed. Within the organisation, the company is investing in the digital transition of its operations.	Sustainable transition requires an innovative energy system capable of enabling the decarbonisation of the economy. Therefore, Nortegas is investing in the expansion of distribution networks, as well as in proyects that will integrate renewable gases into energy infraestructure.	Nortegas is committed to creating quality jobs in the communities in which it operates, to safety in its operations, and to respect for workers. Some of the instruments put into place by the company are its diversity, equality and inclusion plan and its technical instructions.	The main social impact of Nortegas activity is to allow access to quality basic energy supply. In addition, the company has launched several social impact initiatives to create value in local communities.	Nortegas solutions ensure a less polluting energy supply than other energy alternatives and pave the way for the transition. The consumption of renewable electricity, care for biodiversity, and the integration of the circular economy show the commitment of Nortegas to the environment.

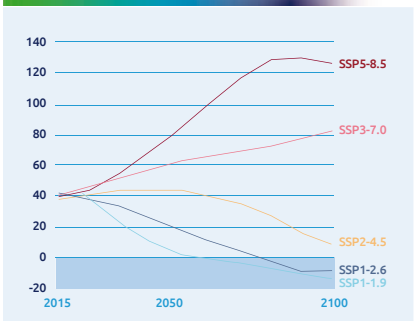
04.

Our environment: a decisive time for the energy transition

Over recent years, there has been a paradigm shift in the socioeconomic system towards sustainability. Although organisations are being asked to be increasingly responsible and aware of their environment, the energy sector is being called upon to be one of the most important tools in the ecological transition. Within the energy sector, gas has played a leading role due to its decarbonisation potential in comparison with alternative, more polluting energies, due to the efficiency of using an existing distribution network, and due to its capacity to integrate other sources of energy such as biomethane or hydrogen.

However, the events of recent months have highlighted the structural importance of gas for the economic system and for the transition to a more sustainable energy model. More specifically, the increase in energy prices following the Russian invasion and the strategic response of Europe through REPower EU have underlined the important role that renewable gases -hydrogen and biomethane- will play as an instrument in reducing Russian gas imports in the European continent.

FUTURE CARBON DIOXIDE EMISSION SCENARIOS ($GTCO_2$/YEAR)



"The commitments acquired following the COP26 have brought us closer to a scenario of 2.4º and, therefore, as the IPCC warns, there is an increasingly smaller window for action to comply with the Paris Agreement"

4.1 A global call for climate action

Following the agreement reached at the COP 21 in Paris in 2015, the long-term goal of keeping the global temperature rise below 2ºC was established, with the aim of limiting this rise to 1.5ºC. To comply with the Paris Agreement, global emissions must reach their peak as soon as possible, which is even more important following the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) published in 2021. According to this report, climate change is already a threat to over 40% of the world's population. In scenarios of climate inaction, the average temperature could rise by up to 4.4ºC, whereas in the more optimistic scenarios it is necessary to reach Net Zero by 2050 and start to absorb CO_2 from the atmosphere over the second half of the century.

With the increasingly smaller window of action, the COP26 held in Glasgow in November 2021 has served to speed up certain commitments. Among these, 40 countries have signed an agreement to eliminate coal from their energy mix, and over 100 countries have agreed to reduce the volume of methane emissions by 30% by 2030. A global warming scenario of 2.7ºC was envisioned before COP26 but, as a result of the agreements to reduce emissions, a global warming scenario of 2.4º has been proposed -which is still a far cry from the targets set by the Paris Agreement-.

Considering that over three quarters of all greenhouse gas emissions worldwide come from the energy system, energy infrastructures are in the limelight due to their decarbonising potential. According to the Global Infrastructure Outlook, there is a gap between investments in energy infrastructures that cover current policies and the infrastructure needed between 2015 and 2040 of 2.9 trillion dollars worldwide and 23 billion dollars in Spain.

4.1.1 A long-term regulation aimed at the energy transition

2021 was marked by the turbulent regulatory context of the European Union, particularly significant for the energy sector due to its role as an ally for the other players of the domestic production network and an essential vector for the digitisation and sustainability of the industrial system.

In order to achieve a fair transition and turn Europe into the first climate-neutral continent by 2050, the EU presented its Green Deal in December 2019, a strategy devised to help mobilise at least 100 billion euros during the 2021-2027 period. The pandemic and economic crisis of 2020 has radically changed Community plans. The launch of the Next Generation EU programme and ordinary EU long-term funding provided a total budget of 1.8 trillion euros for structural economic recover to promote a greener, more digital Europe. Thus, 37% of the budget will go to the fight against climate change by investing in new infrastructures and in innovation projects that allow for a transition to a cleaner energy model.

Along these lines, the Fit For 55 Package presented in July 2021 raised the European climate ambition to a goal of reducing emissions by at least 55% by 2030 in comparison with 1990 levels, with a set of measures aimed at the sustainable transition. The centre of the plan focuses on the industrial sector, sustainable mobility, and energy.

As well as boosting investment for the climate transition, the European Commission (EC) has worked on other related policies with a more holistic approach to sustainability, such as the draft Corporate Sustainability Reporting Directive (CSRD), which focuses on the management of sustainability risks and the impact they have on people and the environment.

At the national level, the Recovery, Transformation and Resilience Plan (PRTR) is the main instrument for the implementation of Next

Generation EU funds. Like the funds, the plan lays out the roadmap for modernisation of the Spanish economy following the pandemic, incorporating an important schedule of investments and structural reforms, including the energy transition. This can be seen by the fact that one of its four mainstays seeks public and private investment to redirect the production model towards decarboni-

sation, energy efficiency, and the deployment of renewable energies. The most relevant points of the PRTR include the PERTE (Strategic Project for Economic Recovery and Transformation) for Renewable Energies, Renewable Hydrogen and Storage (ERHA), with over 16 billion euros of public-private investment foreseen by 2026.

GAS DISTRIBUTION

"The gas infrastructure has become an essential asset for the sustainable transition in the European Union"

The gas infrastructure has become an essential asset for the sustainable transition in the European Union. Proof of this was the Complementary Delegated Act of the Taxonomy, which proposed the classification of gas and nuclear energy as sustainable transition energies under specific criteria. The taxonomy is a classification system that determines which economic activities are considered sustainable and has been developed by the European Commission with the support of the Platform on Sustainable Finance. Its goal is to supplement public investment with private to redirect flows of capital towards sustainable activities and, therefore, prevent greenwashing. Therefore, the European Commission would argue that gas could meet the four necessary requirements to form part of the taxonomy: being an eligible activity due to its potential contribution to one of the environmental goals of the taxonomy, meeting the technical criteria for the sustainable transition, doing no significant harm (DNSH) to the other environmental goals, and complying with social safeguards.

The taxonomy identifies that the conversion, reuse or adaptation of gas networks for the transportation and distribution of renewable and low-carbon –"hypocarbonic"– gases, and the construction or operating of transportation and distribution pipelines dedicated to the transportation of hydrogen or other low-carbon gases are activities

that contribute considerably to the mitigation of climate change. Therefore, according to the taxonomy, the Nortegas infrastructures would be considered sustainable. In terms of the DNSH principle, and based on the Technical Guide to the application of the "do not significant harm" principle by virtue of the Regulation regarding the Recovery and Resilience Mechanism, combustible gas infrastructures could be considered compliant if they are related to regasification, transportation and distribution infrastructure and comply with Annex III of the European Commission's Technical Guide.

Although the EU platform on sustainable finance gave a negative response to the inclusion of nuclear energy into the taxonomy, it did propose considering gas as transition energy -an "amber" or intermediate performance activity-, provided the emissions associated to energy generation remain below the 100-270 g CO_2/kWh threshold. All this points towards gas playing a relevant role in the energy transition as a decarbonisation vector.

At the end of February 2022, the Final report on Social Taxonomy was published by the European Commission, proposing a structure for social taxonomy in the EU in line with the current legislative environment regarding sustainable finances and governance. Despite being in its development phase, three main social objectives are proposed -decent work, adequate living standards and well-being for end users, and inclusive and sustainable communities- which will be supplemented by different sub-objectives. Considering the profile of these objectives, certain issues, such as access to energy and security of supply, might include energy activities within the perimeter of sustainable activities due to their social impact.

"At domestic level, the gas infrastructure is predicted to be optimised long term given its suitability to replace other alternative, more polluting energies"

Law 7/2021 on Climate Change and Energy Transition ratifies the European neutrality strategy and, therefore, the domestic energy sector also takes on a significant role. The National Integrated Energy and Climate Plan (PNIEC) 2021-2030 has been the instrument adopted by the Ministry of Ecological Transition and Demographic Challenge to mark the path of the energy model during the coming years. In it, an investment volume of 241,412 million euros is established between 2021 and 2030 dedicated to mainly saving and efficiency measures (35%), renewable energies (38%), and networks and electrification (24%). According to the plan, the percentage of gas in the energy mix must increase over the coming years.

The regulatory and remuneration framework of the sector must therefore provide a long-term vision in line with decarbonisation commitments that ensures the economic viability of the distribution networks in the new socioeconomic context and considers the advantages of natural gas as a source of transitional energy.

RENEWABLE GASES

"In its commitment to becoming a climate-neutral continent by 2050, Europe supports decarbonisation through renewable gases"

The first steps in Europe on the path towards climate neutrality were taken with the start of the European Green Pact two years ago. Since then, many different legislative bills have been launched to decarbonise the EU energy market and encourage the entry of renewable and hypocarbonic gases such as hydrogen and biomethane.

The EU has recently launched a new framework to decarbonise the gas markets, promote hydrogen and biomethane, and reduce methane emissions. The legislative bases for this vision are the European Energy System Integration Strategy, the European Biomethane Strategy, and the European Hydrogen Strategy, all focusing on ensuring gas distribution infrastructures become an ally in the continent's decarbonisation.

Furthermore, the Complementary Delegated Act of the Taxonomy gave the go-ahead to the inclusion of activities such as biogas production and the distribution of renewable gases -under the corresponding criteria- in the objective of contributing towards mitigating climate change. The EC has therefore supported the role of biomethane and of green hydrogen in the supply of renewable energy and heat, acknowledging the need to integrate low-carbon gases into existing gas networks.

With the focus on promoting hydrogen, the EU CHA (Clean Hydrogen Alliance) launched its first call for proposals on 41 strategic research topics related with hydrogen in March 2022, with proposed funding of 300 million euros. This is an unprecedented initiative for the promotion of renewable hydrogen technologies, and includes the provision of several "emblematic projects" that will have a significant impact on speeding up the transition to a hydrogen economy. In line with the transition to this new economy, another significant aspect of the project consists of the deployment throughout Europe of "hydrogen valleys", which are geographic spaces with significant industrial presence where the production and consumption of renewable hydrogen is concentrated,

including the Basque Hydrogen Corridor of which Nortegas forms part.

In terms of biomethane, the International Energy Agency indicates that global consumption of this gas could reach 200 Mtoe by 2040. The EC report on scenarios related to the objectives of the EU Bioeconomy Strategy sets out a growth forecast for the industry based on biomass and the development of biofuels, in which biomethane plays a key role. Likewise, the European Green Pact includes biogas as a decarbonisation instrument and a tool to ensure a transition to a climate-neutral model by 2050. However, as indicated below, the objectives regarding biomethane will be much more ambitious in the RePower EU plan.

"In Spain, the Recovery Plan is to assign almost 40% of investment to the ecological transition"

In the domestic plan, the PRTR sets out that almost 40% of investments are to be assigned to the ecological transition, with a significant role for biomethane and hydrogen. Through the Strategic Project for the Economic Recovery and Transformation of Renewable Energies, Renewable Hydrogen and Storage (PERTE ERHA) approved last December, the value chains of renewable energies and their integration into the different sectors are to be consolidated, along with the promoting of social innovation and positioning Spain as a technology hub in the production and use of renewable hydrogen. The PERTE therefore proposes 25 transforming measures and 17 support measures for its correct implementation, among other actions. In total, the PERTE ERHA involves mobilising over 6,290 million euros of the PRTR. The seventh component of the plan, with involves the deployment and integration of renewable energies, which has a total estimated investment of 3,165 million euros, mentions technological innovation and development actions related with biogas.

These stimulation mechanisms are accompanied by long-term strategies, such as the national Hydrogen Roadmap approved in 2020 or the regional Basque Hydrogen Strategy approved in March 2021. The Basque Hydrogen Strategy sets out the directives to promote the creation of a hydrogen ecosystem based on the production of renewable hydrogen and on storage, transportation and distribution infrastructures to support the local market and to act as a basis to establish a ground-breaking logistics centre in the international export market. It is structured over six main areas of action, including that related to storage, transport and distribution (axis 2), and 58 lines of action, with the following targets:

2030 TARGETS OF THE BASQUE HYDROGEN STRATEGY

Production		**300 MW** of installed electrolysis power. **100%** of the hydrogen produced is renewable or low carbon. **2,000 t/year** of synthetic fuel production.
End uses	**Industry**	**90%** of the hydrogen consumed in the industry as a raw material is of renewable or low carbon origin. **5%** of the total energy consumption of the industrial sector.
	Buildings	**10** pilot projects for the use of hydrogen in buildings.
	Transportation and mobility	Fleet of **20** hydrogen buses in the Basque Country. Fleet of **450** freight vehicles of various sizes. Network of **10** public access hydroelectric plants, present in three historic territories.

A total investment of between 910 million and 1.51 billion euros is foreseen for this purpose, and actions related with the construction of new hydrogen transportation and distribution infrastructures and the study of the adaptation of current gas infrastructures for the injection of hydrogen are included through pilot projects and technical requirements.

Likewise, the Ministry for the Ecological Transition and the Demographic Challenge (MITECO) recently approved the Biogas Roadmap, which includes 43 lines of action to multiply the sustainable production of the renewable gas by 3.8 by the year 2030, exceeding 10.4 TWh. The roadmap, within the framework of the Integrated National Energy and Climate Plan (PNIEC) and the Law on Climate Change and Energy Transition, seeks to guide the deployment and development of biogas in Spain due to the strategic role it may play on the path towards climate neutrality by 2050, which is of special importance in the current European context. In total, the planned budget for the promotion of biogas amounts to 150 million euros.

AREAS OF ACTION OF THE BIOGAS ROADMAP, MITECO.

1. Regulatory instruments: guarantees of origin systems, streamlining and standardisation of administrative procedures, and improvement of waste regulations.

2. Sector-based instruments: biogas sale or consumption penetration goals, with mandatory quotas, fostering production in areas with raw materials and consumption on site.

3. Financial instruments: financing the innovation and technological development of biogas and making the most of the boost that PRTR could give the sector, including aid for biogas.

4. Cross-cutting instruments: prioritising biogas projects in fair transition areas, including it in the terms and conditions of public contracts, creating energy communities and task forces for its implementation.

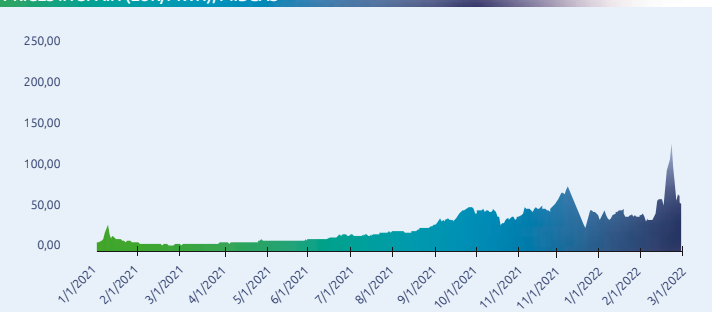
5. Promotion of R&D: fostering research to reduce emissions, promoting biogas demonstration projects in industry or promoting innovation in less mature technologies.

As indicated in the latest Ready4H2 report, a consortium formed by 90 gas distributors from 17 countries working together on the use of hydrogen in the networks to reach climate neutrality, these efforts could be the first step in revolutionising the energy sector towards this technology, with a decarbonisation potential of 540 million tonnes a year of CO_2 emissions throughout Europe by 2050 and a potential for supply continuity thanks to its capacity and to the capillarity of the distribution networks. In terms of biomethane, deployment of the technology in other European countries such as France or Germany show that it is already a technically viable alternative and, therefore, Spain could target it in the short term. A regulation to boost biomethane, as is the case in these countries, would help in the rapid deployment of biomethane plants.

4.2 A paradigm shift in the gas system

"As the European Commission has shown through its REPower Europe plan, the response to current energy challenges is based on investment in the sustainable transformation of the gas sector and on security of supply. In both cases, the Spanish gas system is to play a vital role thanks to its capacities and strategic positioning"

EVOLUTION OF GAS PRICES IN SPAIN (EUR/MWH), MIBGAS



The new global geopolitical situation as a result of the Russian invasion of Ukraine has shaken the energy market and highlighted the energy dependence of the European Union. The old continent imports 90% of the gas consumed, and 45% of these exports are from Russia.

Hence, natural gas prices have remained bullish throughout 2021 and 2022, with significant repercussions on the electricity market. Other factors, such as the wholesale market pricing system, the strong demand associated with the economic recovery, the reduction in reserves or the higher gas consumption by Asia have also put pressure on the global market. However, the conflict between Russia and Ukraine has considerably worsened the volatility of gas prices.

4.2.1 The response to the current situation lies in the domestic gas system

To drastically speed up the transition, end the energy crisis, and encourage European energy independence from Russia well before 2030, the Commission proposed a plan of measures in early March to respond to the increase in energy prices and reconstitute gas reserves for the coming winter. REPower EU seeks to diversity the gas supply, speed up the use of renewable gases, and streamline the granting of permissions for renewable energy projects.

This plan showed the potential role of Spain as a strategic ally in reducing energy dependence on Russia.

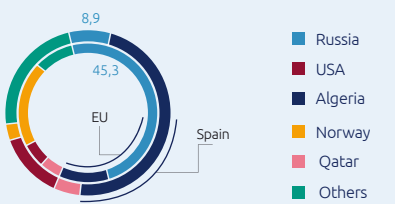
THE GAS INFRASTRUCTURE AS A CORNERSTONE OF DECARBONISATION

The potential role of Spain in the response to the crisis is explained by its geographic location, which enables it to become a global gas distribution hub due to the technical capacities of its gas infrastructure and its capacity to integrate renewable gases into the energy mix. In fact, the Spanish supply is not as dependent on Russia, as it accounts for just 8.9% of the gas supplied, with Algeria and the United States being the main suppliers of natural gas. Gas can be received in liquefied format on ships (liquefied natural gas or LNG) or gaseous format along the gas pipelines of Algeria, Morocco, Portugal and France. The extensive network of ports and regasification plants in Spain also meant that the country was the main European importer of LNG in 2020. The LNG trade is not only an expanding market but also a fundamental strategy for reducing dependence on Russian gas.

THE ROLE OF RENEWABLE GASES IN REPOWER EU: 2030 TARGETS

Biomethane	Double production targets to reach 35 BCM
Hydrogen	Raise the production target of renewable H_2 from 5.6 to 20 mt

PERCENTAGE OF NATURAL GAS IMPORTS OF THE EU AND SPAIN. SOURCE: REPOWER EU AND CORES



Spain is also the EU country with greatest gas storage capacity -over one third of European LNG reserves are currently held in Spain-, which is an additional guarantee of supply for Europe.

NETWORK OF GAS PIPELINES AND REGASIFICATION PLANTS IN EUROPE

Natural gas, particularly VNG, will therefore play a key role in the decarbonisation of the economy thanks to the associated reduction of CO_2 emissions in the production system. It is also the fossil fuel that generates fewest greenhouse gases and, therefore, is a tool for the transition in comparison with other more emission-intensive alternatives, balancing intermittence problems in the energy supply caused by other renewable sources and guaranteeing the supply in industrial sectors that cannot be electrified.

The long-term vision of the networks makes it even more important, as the existing infrastructure allows for the incorporation of renewable gases into the energy mix, permitting the distribution of sustainable alternatives to homes and businesses without the need to invest in new energy infrastructure. The networks are therefore a cornerstone of the energy system for decarbonisation. The fact that quality infrastructure already exists, with high levels of security in supply and with an extension that exceeds 8 million gas supply points, is an efficient solution that avoids the need to develop a new distribution network.

BIOMETHANE, A RENEWABLE, CIRCULAR GAS TO RESPOND TO THE ENERGY CRISIS

Biogas is already present in the energy system. According to the EBA (European Biogas Association), there are currently almost 20,000 biogas and biomethane plants operating in Europe, with an estimated production capacity of 1,000 TWh by 2050. The combined production of biogas and biomethane in 2020 accounted for 191 TWh in Europe, of which most (159 TWh) was biogas used to produce energy or heat. In 2020, the countries to record the highest increase in the number of biomethane plants in Europe were France, Italy and Denmark. In Spain, estimated biogas production for that same year amounted to 2.74 TWh, which is still a far cry from other European countries. However, there are a great many initiatives underway that focus on the possibility of generating biomethane and injecting it into the distribution network, arising from collaboration between public and private entities and showing a shared interest for the development of this alternative energy.

HYDROGEN: CLEAN HORIZON

Renewable hydrogen is a technology that is already a front runner as a promising alternative to fossil fuels and whose versatility for its transformation into electricity makes it an option to meet the energy-related needs of industrial processes and home, or as fuel for vehicles. Injecting hydrogen into the gas network would allow for the gas sector itself to be decarbonised, taking advantage of current distribution infrastructures. This can be achieved by injecting hydrogen into existing gas pipelines and the blending of natural gas and hydrogen in the current network, thus reducing greenhouse gases, increasing hydrogen demand or supplying sector in which electrification is difficult.

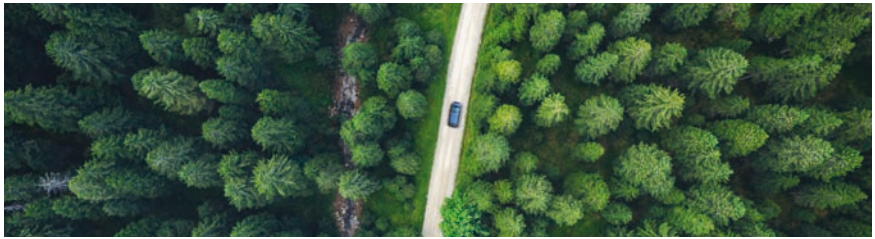
At domestic level, initiatives are being planned that could turn Spain into one of the main hubs for the production and distribution of renewable hydrogen in Europe. To do so, the regulation is likewise expected to support market players to ensure the viability of investments and to ensure the flexible, streamlined nature of the administrative procedures for new projects, and to design an efficient transition of the current infrastructure.

05.

Good governance

5.1. Governing bodies

"The governing bodies of Nortegas strive to ensure the company maintains its high levels of excellence and the integration of sustainability"



BOARD OF DIRECTORS

It is the highest governing, decision-making and supervisory body of the company and its composition and operation is regulated by the Board of Directors Regulations.

COMPOSITION OF THE BOARD OF DIRECTORS

Director	Category	Position
Iñaki Alzaga Etxeita	Independent	Chairman
Javier Contreras	Executive	Chief Executive Officer
John Lynch	Dominical (IIF Nature)	Spokesperson
Mark Mathieson	Dominical (IIF Nature)	Spokesperson
Michael Vareika	Dominical (IIF Nature)	Spokesperson
Adolfo Pardo de Santayana	Dominical (Swiss Life)	Spokesperson
Gloria Hernández	Independent	Spokesperson

AUDIT COMMITTEE

The Audit Committee provides assistance to the Board of Directors in supervising the process of preparing and controlling the company's financial information, as well as in auditing the effectiveness of internal control and risk management systems, including tax aspects and the functions assigned on ethics and compliance.

COMPOSITION OF THE AUDIT COMMITTEE

Director	Category	Position
Gloria Hernández	Independent	Chairman
John Lynch	Dominical (IIF Nature)	Spokesperson
Adolfo Pardo de Santayana	Dominical (Swiss Life)	Spokesperson

HEALTH & SAFETY AND ENVIRONMENT COMMITTEE

Assists the Board of Directors in the preparation and monitoring of strategies, policies, targets and resources in matters of health and safety and the environment.

COMPOSITION OF THE HEALTH & SAFETY AND ENVIRONMENT COMMITTEE

Director	Category	Position
Mark Mathieson	Dominical (IIF Nature)	Chairman
John Lynch	Dominical (IIF Nature)	Spokesperson
Adolfo Pardo de Santayana	Dominical (Swiss Life)	Spokesperson

In addition, the Nortegas Board is assisted in matters of strategy and appointments and remuneration by Nature's committees, its parent company, whose composition includes both directors of Nature and of Nortegas itself.

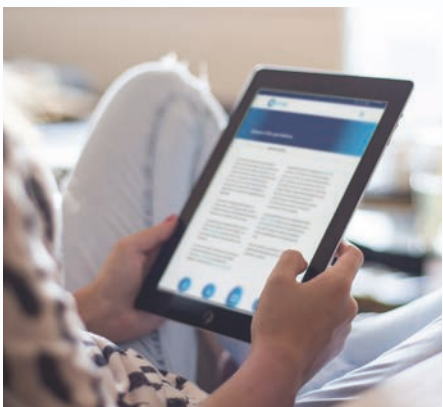
The parent company has promoted the commitment of Nortegas to sustainability from a business viewpoint through the development of renewable gases and the promotion of the distribution infrastructure as an essential element for decarbonisation. The Board of Directors has also supported the principles of diversity, equality and inclusion, and has kept its focus on company risk management.

TCFD: Recommendation 1a) the board's oversight of climate-related risks and opportunities.

Since the entry of the investment group formed by IFF, Swiss Life Asset Management and Covalis Capital, sustainability now plays a principal role in the Board of Directors. In terms of climate change, the goal of the Board has been to promote a strategy that minimises the opportunities of the energy transition and that maximises the physical and transition-related risks of climate change.

Therefore, through the Nortegas strategic plan, the Board of Directors has targeted lines of business that focus on renewable gases and the decarbonising potential of the gas distribution infrastructure, as can be seen by solutions such as VNG or the replacement of boilers. The involvement of the Board of Directors involves the supervision of business decision-making processes (such as acquisitions, approval of budgets and CAPEX plans, among others) and the approval of targets. The Board has also supervised and approved the financial strategy of Nortegas, which included the obtaining of sustainable financing linked to emission reduction targets, among other ESG targets.

Board members are also regularly informed of the climate-related performance and strategy of Nortegas, as climate change is included in the organisation through its integration into the risk



maps and the company's different committees. The Board is therefore constantly supervising the climate-related progress of Nortegas, and its progress in terms of its strategic goals regarding climate change.

5.2. Organizational structure

Today, Nortegas is a comprehensive energy services organisation with different business lines and a functional structure adapted to the particularities of each segment.

The company's strategic transformation has consolidated its internal organisation, with teams specialising in the development and operating of gas distribution infrastructures, and with areas dedicated to renewable gases, VNG, and other services supplementary to infrastructures.

The company's calling for excellence has meant that has lead it to have cross-cutting areas such as human resources, legal services, and regulation. This is the case in the sustainability area, which ensures the integration of ESG criteria into all aspects of the business and the organisation.

"Nortegas has consolidated its sustainable transformation internally, with an agile organisational structure adapted to its different lines of business"

EXECUTIVE COMMITTEE	POSITION
Javier Contreras	Chief Executive Officer
Juan Ramón Arraibi	Chief Operating Officer
Izaskun Gorostiaga	Director of Commercial Development and New Business
Juan Villar	Chief Financial Officer
Yolanda Etxauri	Director of Regulation
Javier Inunciaga	Human Resources Manager
Carlos Arias	Director of Legal Services
Asunción Ortiz	Director of Sustainability

Formed by the directors of the different functional areas, and led by the CEO, it manages the operations and resources of the company, developing and executing the strategic, operational and investment plans approved by the Board of Directors.

TCFD: Recommendation 1b) Management's role in assessing and managing climate-related risks and opportunities.

Considering the strategic importance of climate change for Nortegas, all areas have integrated this into their internal processes. One example is the commercial development of new businesses linked to the energy transition, regulatory monitoring or the integration of emission reduction criteria into financial planning.

The Sustainability area is responsible for analysing climate-related risks and opportunities. This area, which validates its analysis with the Risk Committee, reports directly to the CEO. Similarly, the Audit Committee, followed by the Board of Directors, are responsible for monitoring risks and opportunities, including climate-related aspects.

An in-depth analysis has been conducted during 2022, with an outlook to 2025, 2030 and 2050, and will be monitored by the Sustainability, Risk and Compliance department and scaled to its reporting lines on an annual basis.

5.3. Compensation model

Nortegas has a compensation model based on the creation of sustainable and shared value. Thus, the Board of Directors, senior management, and the entire organisation have a remuneration system aimed at rewarding the performance of the organisation and the long-term profitability of the company. The directors of Nortegas, as members of the Board of Directors, receive a fixed compensation defined by the functions and responsibilities derived from belonging to the decision-making bodies of the company. The definition of the Board's compensation considers the situation of the company, the market practices of the peers and the recommendations of good governance. The CEO, in addition, for the exercise of his executive functions receives a remuneration based on the Nortegas compensation system.

To enhance the alignment of professionals with corporate strategy, Nortegas' remuneration system has a fixed part and a variable part. In this way, all Nortegas employees have variable remuneration linked to defined targets, which can be specific depending on the area of each professional or global. The proportion of variable remuneration over the total varies at different levels of the workforce, being higher in the case of the Executive Committee.

In turn, the targets combine financial aspects, such as EBITDA, cash flows or the number of new customers; with aspects related to other performance KPIs beyond financial aspects, such as satisfaction, accident and safety rates. It should be noted that this last aspect, as safety is one of the most relevant points for Nortegas, is especially important in the compensation plan. For this reason, all employees have a part of their variable remuneration linked to the target "0 accidents with sick leave".

5.4. Ethics and Compliance

Since its constitution as an independent company, Nortegas has worked to comply with the highest standards in corporate governance. The company therefore has a Code of Ethics in order to commit the actions of the organisation and its members to the principles of integrity, equity and responsibility. The Nortegas Code of Ethics is sent to anyone who signs a contract or professional agreement with the company, including contractors and third parties.

Nortegas has an Ethics Committee made up of five professionals from the company. This Committee ensures the dissemination of the Code of Ethics, ethical values and governance principles, and compliance by the company, reporting every six months to the Audit Committee.

Nortegas is firmly committed to comply with internal and external laws and regulations applicable to its activity. The company therefore has a model for managing legal compliance and crime prevention, based on the recently approved Crime Prevention and Compliance Policy and in line with Standards ISO 19600:2014 and UNE 19601:2017. This model, which is re-assessed annually to ensure its proper functioning, establishes commitments and responsibilities at all levels and introduces the figure of the Compliance Officer, who is responsible for crime prevention and the ethics channel and reports directly to the Audit Committee.

"Ethics is an essential element of the Nortegas strategy and its performance, and it guides its decisions and relationships with the environment"

In turn, an Anti-Corruption Policy was approved in 2021, and work continued on the implementation of improvements to the compliance system following the review of the policies, procedures and controls by an independent external party in 2020 in order to align the system with international certification standards and ensure the system is robust and effective. The aim is to regularly review the model every three years to ensure it remains robust.

MILESTONES AND KPIS FOR 2021

Approval of the Crime Prevention and Compliance Policy
Approval of the Anti-Corruption Policy
100% operations assessed on corruption-related risks
0 cases of corruption
100% of employees, members of governing bodies and business partners notified of cases of corruption
1 communication through the ethical channel
Approval of the gifts and invitations protocol

Additionally, Nortegas has an ethical channel through which all Nortegas stakeholders can settle issues related to the company's ethical conduct. Anyone can resort to the email address etica@nortegas.es if they detect any indication of an act contrary to the ethical values of Nortegas or the law. The Compliance Officer is responsible for processing complaints and proposing corrective measures where necessary. One communication was received through the ethics channel in 2021. Furthermore, the protocol on gifts and invitations was approved and a training plan has been designed for the entire workforce, which will be given during 2022.

5.5. Risk management

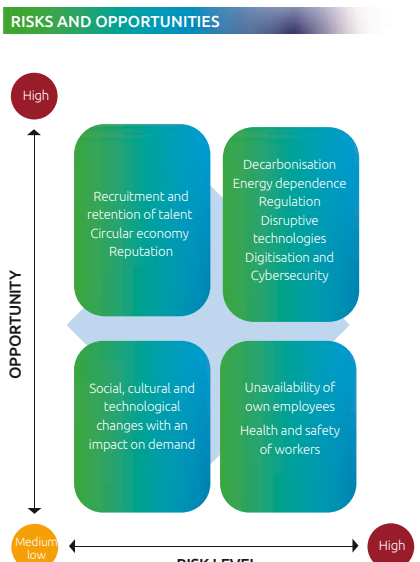
Nortegas has implemented a risk management system aligned with Standards ISO 73:2010 IN, ISO 31000:2018 and UNE-EN 31010. This management system monitors the company's risks. Through its risk area and with the supervision of the Risk Committee, Nortegas monitors 125 risk factors grouped in 30 issues that form the company's risk map, covering financial and strategic aspects, including ESG criteria. The method is based on assessing the probability and impact of each of the risks identified, as well as the effectiveness of the controls established to mitigate them. The level of each risk and the degree of exposure of Nortegas is determined and compared with the company's risk appetite -established in the risk statement- and the tolerance defined for each risk.

Every six months, or whenever an event occurs that modifies the probability or the impact of a certain risk event, an analysis and subsequent report on the risk situation at Nortegas is conducted, which is analysed in the Risk Committee. The results are then presented to the Audit Committee and the most relevant information is reported to the Board of Directors.

RISKS AND OPPORTUNITIES

The gas sector in general, and Nortegas in particular, face a series of risks and opportunities associated with the main trends in the environment. This report describes the response strategies defined by Nortegas.

Based on the trend analysis and the materiality study of Nortegas, a matrix of risks and opportunities that affect the company is presented below, derived from the regulatory context and the latest market movements.



RISK	DESCRIPTION
Decarbonisation	The European decarbonisation targets will present opportunities for energy infrastructure but also a challenge for its transformation.
Energy dependence	Europe faces energy supply risks, but the country's geographic location and commitment of the infrastructure to sustainability may make the sector an ally of energy independence.
Regulation	Nortegas activity is, to a large extent, subject to regulation, although new opportunities are being explored in the framework of the energy transition.
Disruptive technologies	The arrival of disruptive technologies allied to Nortegas' offer is a great opportunity, but if it is not managed properly, it can be a threat to the traditional business.
Changes in demand	Changes in production, cultural or otherwise, can directly affect the demand for natural gas.
Talent attraction and retention	If properly managed, people management will ensure the retention of talent and knowledge in the company, as well as the attraction of complementary profiles.
Reputation	The strategic position of Nortegas is based on renewable energy solutions (hydrogen and biomethane) and transition solutions (natural gas, VNG, and digitisation of networks, among others).
Circular Economy	The promotion of the circular economy and the use of waste is an incentive for the development of biomethane production infrastructures.
Health and safety of workers, customers and communities	Health and safety risks derived from the company's activity can have a big impact on operations, which is why prevention work is especially important.
Unavailability of own employees and / or contractors	The unavailability of workers could jeopardise the normal company operations, which has been intensified by the health situation.
Data usage and cybersecurity	Data is an ally for increasing company efficiency, but the digitisation of operations can also attract new security threats.

RISKS AND OPPORTUNITIES IN CLIMATE CHANGE

Strategy

TCFD: 2a) Short, medium and long-term climate-related risks and opportunities.

As shown in the table below, Nortegas has identified the main climate-related risks and opportunities. It based this on a physical risk scenario focusing on the long-term impact of climate change, IPCC SSP5-8.5, as well as two transition risk scenarios, IPCC SSP1-2.6 and IPCC SSP2-4.5 focusing on the impact of climate change through policy and regulation, technology and markets.

To design the physical risk scenario, the company used historical weather information from public sources and assumptions based on the assets most exposed to those risks. With regard to transition risks, Nortegas used European regulations (Green Deal, Fit for 55) and the emissions path established therein, as well as national regulations (trend and target scenario of the PNIEC).

To identify opportunities, the company used transition scenarios with a focus on European and national regulatory implementations such as the Green Deal, the PNIEC, the Law on Climate Change and Energy Transition, the EU Emissions Trading Scheme, the Hydrogen and Biomethane Roadmaps, and REPower EU. In addition to these sources, it used other references based on the market and on technological development, as well as reputational assumptions.

TCFD: 2b) Impact of climate-related risks and opportunities on the business, strategy, and financial planning.

Nortegas has developed a financial quantification model of risks and opportunities over a 2025, 2030 and 2050 timeline and, therefore, the analysis is expected to guide the company's steps towards the energy transition. This quantification is based on the impact of each of the issues identified in operating revenues and costs, capital investments, acquisitions, and even access to financing.

The risk and opportunity analysis has been an indispensable input for company strategy. For years now, identifying climate change as a material issue has reoriented and diversified Nortegas activity, transforming its nature into the energy services company it is today.

TCFD: 2c) Resilience of the organisation's strategy, taking into consideration different climate-related scenarios.

The transformation of Nortegas has been entirely based on the energy and sustainable transition, making it resilient to a neutrality scenario in line with the Paris Agreement and, therefore, to most transition risks and opportunities. Likewise, the analysis reveals that most physical risks would have a minor impact on business operations.

Risk and opportunity analysis now serves to guide R&D strategies and investments in CAPEX and business lines. Similarly, this analysis is used to promote the sustainable financing strategy and to set greenhouse gas emission reduction targets.

Risk management

TCFD: 3a) The organisation's processes for identifying and assessing climate-related risks.

To assess the potential impact of risks, the company has followed a method based on traditional risk management, in line with models such as COSO ERM.

The company has assessed its inherent risk -by analysing its residual impact- and its likelihood of occurrence. After this, it has taken into account its exposure, sensitivity and adaptability to prioritise those risks most relevant to Nortegas.

Opportunities have followed a similar prioritisation process focused on assessing the capacity of Nortegas to take advantage of the opportunity, and its effectiveness.

To perform this prioritisation, each risk and opportunity has been characterised in accordance with the different regulatory requirements of the established scenarios (Green Deal and PNIEC, among others), along with the technological development and market analysis associated with each issue.

Impacts have been quantified for three timelines: 2025, 2030 and 2050.

TCFD: 3b) The organisation's processes for managing climate-related risks.

Following analysis by the risk area, the Risk Committee (consisting of the Executive Committee and the information systems director) validates it and escalates the main findings to the Audit Committee and the Management Board for oversight. After this, an action plan is drawn up by the risk area to mitigate the main impacts and maximise opportunities, and to establish controls and indicators to monitor them. Those responsible for the different issues are also established, who are responsible for ensuring governance of the issue.

Finally, the analysis is used as input for updating the company's strategic plan and as support in decision making.

TCFD: 3c) processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

The analysis presented is an extension of the overall risk analysis of Nortegas, but follows the company's risk management philosophy. The risk area then escalates the analysis to the Nortegas Risk Committee for validation. Similarly, the company's general risk map is not limited to financial risks, so the more relevant factors have been traditionally considered within its scope, which can be seen by the company's strategic shift toward the energy transition.

TCFD: List of climate-related risks and opportunities of Nortegas

CATEGORY	RISK
Acute physical risks (long term)	• Risk of flooding of facilities and infrastructure • Increased frequency of incidents in operations caused by snowstorms
Chronic Physical Risks (long term)	• Damage to infrastructure due to a rise in sea level • Increase in average winter temperatures, potentially affecting demand for natural gas
Policies and Regulations	• Decrease in demand for natural gas in the industrial sector due to regulations • Decrease in demand for natural gas in the residential/domestic sector due to regulations • Vehicular natural gas • Biomethane regulations • Hydrogen regulations
Technology	• Lack of adaptive capacity to the new technologies needed to address some of the challenges of the energy transition: 1. Because of the high cost associated with investing in certain low-emission technologies 2. Lack of success in investments made to this end
Markets	• Increase in Nortegas costs if critical suppliers are affected by the Revision of the Emissions Trading Scheme Directive (Steel, etc.) • Change in consumer behaviour • Loss of human capital for the energy transition • Increased supply in the clean energy market competing with Nortegas activity • On the supply side, lack of incentives to invest in: a) Gas internal combustion engines for electrification b) More efficient natural gas appliances (boilers, etc.) • Increased costs and risks associated with inadequate insurance coverage, which may affect Nortegas assets • Potential self-generation models in industrial customers (biomethane and hydrogen) affecting demand • Lack of partnerships with new business partners
Reputational	• Stigmatisation of the sector • Loss of credibility and trust of stakeholders

CATEGORY	OPPORTUNITY
Policies and Regulations	• Promoting measures to boost hydrogen • Promoting measures to boost biogas
Technological	• Potential access to new technologies • Participation in renewable hydrogen programmes
Markets	• Promoting natural gas as a cleaner alternative • Access to green financing • Improvement of insurance coverage by adaptation measures to climate risks • Development of other clean, non gas-based technologies • Application of circular economy principles for the exploitation of network infrastructure
Reputational	• Improving consumer and stakeholder perception of renewable gas investment

Priority risks for Nortegas include the increase in average winter temperatures, decarbonisation regulations affecting the industrial sector, and stigmatisation of the sector. Priority opportunities include all those related to renewable gases.

"In line with its goal, Nortegas has ensured maintained supply and the safety of all parties involved in the Nortegas business"

IMPACT OF COVID-19

Nortegas activated its health emergency action plan in 2020 and has a Coronavirus Coordination Committee.

The company's risk management area has particularly worked on the impact of Covid-19 on the company's risk matrix, with regular reports to the Audit Committee and the Board of Directors. Among the most affected are the cybersecurity risk due to the rise in telework, the response to which has been an action plan based on a comprehensive analysis of cybersecurity risk factors and hotspots. Similarly, another major risk has been health & safety, where it has been necessary to adapt protocols based on regulatory updates on COVID-19 and to promote outreach to its employees, partnering client companies, and communities. The health crisis itself has been included as one of the 30 risks on the company's map.

Nortegas has designed an action plan in line with its corporate purpose, structured around two fundamental areas: protecting the health of its employees and those of its partner companies, and maintaining the activity. The company's senior management is permanently monitoring and adapting the company's action plan in line with the situation and the regulatory changes in force at any given time. In addition, Nortegas has taken the following measures to facilitate and coordinate the work with its contractors:

- Implementation of preventive behavioural measures and guidelines within workplaces.
- Annual planning of activities.
- Flexibility in team management for their allocation to different activities.
- Design of new commercial campaigns to maintain the activity of the commercial channel.
- Increased procurement of critical services, such as reinforcing the cleaning services.

To this end, Nortegas has maintained an active emergency team in charge of permanently monitoring the state of the facilities and activating the intervention protocol in the event of an incident. The activity of the emergency team is circumscribed in the Nortegas Contingency Plan, which was shared on March 16th with the General Directorates of Industry, Technical System Manager (GTS), CNMC and the Ministry for Ecological Transition. This contingency plan established:

- Isolated remote-control zones with cleaning reinforcement between shifts.
- Guaranteed emergency resources. Telephone line operation with remote capacity. If the field staff is affected, they have the support of contractors and the resources available in adjacent areas.
- Normal operation in the supply, balance and maintenance of LNG and LPG. Low impact on construction.
- Recommendation for mask use and hand hygiene.
- Fully operational remote work.
- Establishment of a Cybersecurity Committee.

Nortegas has undertaken management focused on guaranteeing the highest levels of safety, health and prevention for its employees, contractors, and clients. Action protocols have therefore been implemented for field operations, and all those involved in company activities have received the necessary resources to preserve their health safety. These protocols have been designed in accordance with the legislation, after a risk assessment carried out with the external prevention service.

As part of pandemic management, Nortegas has a communication plan that aims to ensure that all employees are adequately informed. Therefore, employees have been informed at all times about the preventive recommendations issued by the Ministry of Health.

EMERGING RISKS

In addition to current risks, Nortegas tracks other significant medium and long-term risks for both the sector in general and the company in particular due to its regulatory framework. The European geopolitical situation and the advent of the health crisis show that,

while this catalogue of prospective risks has a broader time frame, it is important to consider the different timelines facing the sector. Among the most prominent emerging risks are the long-term impacts of climate change –both transitional and physical– and a prolonged economic climate. With regard to climate change, Nortegas must maintain business viability despite the progressive decrease in fossil fuel consumption in the energy mix. In this regard, the commitment to renewable gases and the new role of gas in sectors using more polluting energy sources, such as mobility, show that the response to this risk is based on exploiting the opportunities offered by the energy transition. With regard to a prolonged economic climate, the most pessimistic scenarios at European and national level point to a possible prolonged stagflation -that is, a situation of simultaneous unemployment and inflation-. In this case, the answer also seems to lie in the sector itself, as its technical capacity and characteristics could allow for the energy independence of the continent, which would contain prices and maintain the productivity of the industrial sector.

5.6 Cybersecurity culture

"Cybersecurity is important to the entire organisation, which is why Nortegas trains and educates its cybersecurity professionals"

The 2020-2022 digital transition plan includes cybersecurity as one of the initiatives to which to stay committed. As part of the strategic initiatives, investment has been made in training staff and bringing in external talent to strengthen the company's digital infrastructure.

The company's cybersecurity governance model is based on a Strategic Cybersecurity Committee and a Tactical Cybersecurity Committee responsible for the implementation of defined initiatives. The cybersecurity officers regularly update the Board of Directors on the status of the company, the development of cybersecurity initiatives, and the evolution of the cybersecurity training and awareness-raising plan.

The governance model is complemented by the recent development of a new Cybersecurity Policy, approved in January 2021. The Cybersecurity Committee is in charge of its implementation and will report to the governance bodies on the robustness of the system and possible improvement measures.

The company is aware of the importance of developing a culture of cybersecurity. In this regard, the increase in teleworking brought about by the COVID pandemic has been accompanied by new training sessions on maintaining the organization's digital security and preventing serious incidents. In 2021, more than ten events related to the company's different cybersecurity areas and a total of 22 training modules were held.

In order to ensure that digital security activities increasingly have a solid and transversal management model for the entire company, work has been carried out on an incentive system subject to a series of cybersecurity indicators whose performance will have an impact on the variable remuneration of all the group's employees.

06.

The energy transition through Nortegas

"Nortegas is an energy infrastructure company that currently distributes gas and LPG to more than one million customers, and is committed to their decarbonisation with renewable gas generation projects for injection into current networks and their digitisation, so that they are ready for the challenges of the energy transition"

In 2021, Nortegas consolidated its strategic transformation, which has been reflected in its business lines. Today, Nortegas is a comprehensive energy services company, within which the gas distribution infrastructures are particularly noteworthy due to their relative size in terms of revenue. The company has been one of the most dynamic on the market, laying the foundations for the energy transition towards a decarbonised gas sector through its innovative and development projects in the areas of VNG, biomethane, hydrogen, and network digitisation.

The pandemic and the geopolitical situation have further highlighted the need for resilient, efficient infrastructures for the energy transition, reinforcing the transformation strategy that the company has started to implement.

6.1. The business activities of Nortegas

GAS DISTRIBUTION INFRASTRUCTURES

"Nortegas will continue to improve the quality of the distribution network through its organic growth in low-saturated areas and through supplementary services to infrastructures"

Nortegas is a major player in gas distribution nationwide. In this area, it focuses on the regulated business of distributing natural gas and LPG in the areas in which it operates.

The natural gas distribution network extends over 80,474[3] kilometres throughout the national territory. The penetration of natural gas, understood as the percentage of main residences with natural gas supply, varies between the Autonomous Communities, being 36% in Asturias, 52% in Cantabria and 52% in the Basque Country according to the CNMC report of July 2020. Domestic demand has exceeded 370 TWh, with growth of 3.1% compared to 2020[4] despite the geopolitical situation. In addition to ensuring quality supply, the capillarity of the gas distribution network is of great importance for the energy transition, as it offers the possibility of decarbonising businesses and households that use more polluting energy sources, and gradually integrating renewable gases into the energy mix.

The Nortegas strategy is therefore to continue developing the distribution infrastructure, connecting more municipalities to the network and saturating existing networks. Hence, despite the pandemic and the geopolitical crisis, 2021 has been a year of growth in this segment, in which the network now covers 8,435 kilometres (+1.6%) and includes 1,056,879 supply points (+1.2%) in more than 400 municipalities. Thanks to the Nortegas networks, 30.077 GWh of energy have been distributed (+9.8% compared to 2020) to companies and households, ranked second by market share according to the CNMC[5].

NATURAL GAS

	Unit	2019	2020	2021
Revenue	€M	198.5	193.5	194.8
Investment made	€M	20.8	24.1	24.0
Network extension	Km	7,861	7,910	7,956
Connection points	Units	952,263	961,061	968,233

LPG

	Unit	2019	2020	2021
Revenue	€M	24.2	23.0	30.5
Investment made	€M	1.9	1.8	8.3
Network extension	Km	381	396	479
Connection points	Units	82,799	83,182	88,646

3. Data from the SEDIGAS Annual Report, 2021.
4. Data from the Natural Gas Market Monitoring Report in Spain. Period: 2019, CNMC.
5. Resolution of May 20, 2021, of the National Commission of Markets and Competition (CNMC).

"The commitment of Nortegas to LPG has been shown by the purchase of over 5,400 supply points from CEPSA"

In 2021, Nortegas reached an important agreement for the purchase of over 5,400 channelled LPG supply points from CEPSA. This operation, authorised by the CNMC, is in line with company investment in this segment in the communities in which it traditionally operates, although it is also a leap by the company into certain municipalities in Castilla y Leon.

DEVELOPMENT AND SERVICE EXCELLENCE

	2019	2020	2021 target	2021
Number of gross new customers in the LPG and natural gas residential segment	17,822	15,674		22,623
Commercial uptakes and expansions in the year in the Tertiary and Industrial sectors (GWh)	338	351	258	339
Satisfaction of the person requesting connection (0-10)	8.3	8.6	7.2	8.6
Telephone assistance satisfaction rate (LPG customers)	7.4	8.3	7,5	8.5
Satisfaction with the service provided to marketer			7.5	8.0

DIGITISATION OF THE DISTRIBUTION NETWORK

"Network digitisation through smart meters is essential for the energy transition and improved efficiency in the sector"

Spain's inventory of gas meters is obsolete and, according to the CNMC, a replacement is required[6]. In order to improve the efficiency and safety of the energy system and to decarbonise the economy, Nortegas has been working in recent years on the deployment of thousands of smart meters. Following the deployment of digital meters in Ugao-Miraballes in 2019 and 2020, the company has replaced analogue meters in the municipality of Alonsótegui with 752 smart meters, as a continuation of the Bidegas project implemented with EVE.

[6] Cost-Benefit Analysis Report on the Implementation of Smart Meters in Natural Gas Supply of November 2021, CNMC.
[7] 2019 and 2020 data for the last survey conducted in 2018.

SERVICE SATISFACTION

	2019	2020	2021 target	2021
Satisfaction with service provided (through marketers) [7]	7.1	7.1	7.5	8.0
Telephone assistance satisfaction rate (LPG customers)	7.4	8.3	7.5	8.5
Complaints received from customers (no.)	45,489	39,752		40,384
Decrease in the number of emergency calls	12.70%	7%		1.7%
Complaints received and settled within the expected period (%)	97.7%	97.8%	95.0%	96.5%

CALLS AND WAITING TIME

	2019	2020	2021 target	2021
Calls answered in less than 20 seconds (%)	81.20%	81.10%	80.00%	82.00%
Missed calls (%)	3.93%	3.70%	5.00%	3.00%
Average user waiting time (seconds)	22	24	25	22
Average operation time (AOT) (minutes)	6:00	5:15	6:00	5:28

Thanks to the smart meters, which are accompanied by the installation of methane and carbon monoxide sensors, users can make their gas networks smart, and will be immediately informed of any emergency involving the user. Similarly, households can monitor their consumption, communicate with Nortegas or access additional information through a mobile app, showing the company's desire to digitise its operations and improve its customer service.

As well as improving user safety, smart meters encourage more responsible and conscious consumption, thus minimising the environmental impact of households. Over the coming years, the company hopes to expand the use of smart meters to other municipalities.

[8] Calculated as the duration of the supply outage by the number of supply points affected between the total number of supply points.

GUARANTEE OF SUPPLY

	2019	2020	2021 target	2021
TCR index[8]	1.40	1.1260	1.8600	2.447
Network intervention index	0.0031	0.0040	0.0050	0.0049
Breakage index	0.0111	0.0100	0.0120	0.0108
Emergency response index	0.0142	0.0138	0.0170	0,0157
Average time between reception and arrival (minutes)	20	23	28	22
Network safety and quality level index	0.0310	0.0220	0.0450	0.021
Annual preventive maintenance plan compliance rate	100%	100%	97%	100%

DEVELOPMENT AND SERVICE EXCELLENCE

"Nortegas has continued to grow strongly, prioritising service quality and security of supply"

As a result of this growth process and with the boost of purchasing LPG supply points, the company has surpassed 22,000 new customers in 2021 in the natural gas and LPG residential segment, representing a growth of 44% compared with 2020 figures, as well as 339 commercial acquisitions and extensions in the tertiary and industrial sectors.

In 2022, Nortegas will continue to focus on its growth strategy in the gas distribution sector. As a result, Nortegas expects to reach investment figures in excess of €25 million in its natural gas and LPG businesses.

For Nortegas, customer orientation is one of its corporate values. The company therefore has in-house quality systems. An example of this are the LPG operations, which are certified under quality, environmental and health and safety systems according to Standards ISO 9001:2015, 14001:2015 and 45001:2018. Similarly, despite difficulties in providing physical services due to the pandemic, quality standards were maintained at appropriate levels, as well as security of supply KPIs.

Hence, the satisfaction rate of Nortegas customers, measured through the three-year survey of marketers, stood at 8 in 2021 (+0.9% compared to the last survey). Despite the growth of the service and the revival of economic activity, the number of complaints only increased by 1.6%, with more than 96% settled within the expected timeframe. In addition, the number of emergency calls continued to decrease.

The average waiting time, the average operation time, and the percentage of calls that were not answered remain below the established targets of Nortegas. This is complemented by a continuous improvement process, focusing on the internal audit of the quality system, where indicators are tracked, service performance is analysed, and action plans are established.

The Nortegas calling for excellence not only involves service excellence in terms of user satisfaction but also security of supply. The company is aware that energy is essential for heating homes, cooking, accessing hot water, and supporting industrial activities, among other social functions. Ensuring its supply therefore determines people's quality of life and the feasibility of business models.

Nortegas therefore uses a series of indicators that enable it to monitor its level of management in relation to the guarantee of supply and thus establish ambitious annual targets to offer the best possible service to customers and users. Despite a slight rise in the TCR index -which had no impact on security of supply or on

local regions- the indicators remained below the excellence targets of Nortegas.

Additionally, Nortegas has continued to invest in projects to replace foundry networks and other network improvement work to reinforce supply quality and preserve infrastructure security.

NORTEGAS IN THE VNG MARKET

"VNG is an example of the opportunities of gas for the energy transition"

VNG provides economic and environmental advantages –in aspects such as emissions, air quality, and acoustic contamination–, allows for access to areas restricted to eco vehicles in the main cities, and is now a solution that will allow for the short and medium-term implementation of biomethane as a 100% renewable solution in the transport sector in general.

In 2021, Nortegas consolidated its position in the vehicular natural gas (VNG) market. The company promotes the deployment of VNG through its partnership with Repsol, which aims to provide the public with a network of vehicular natural gas supply points. The gas station in Sestao (Vizcaya), which is ground-breaking in the region, has been operational for a year with excellent results. This has led the company to continue developing services in this area, with the launch of other stations in the traditional areas of the Nortegas business, such as Oiartzun (Guipúzcoa), and other regions along the Cantabrian coast and in Madrid.

Using its know-how in the sector, Nortegas also offers private VNG solutions to customers with a dedicated fleet to obtain financial savings and decarbonise their transport footprint.

In view of the viability of gas as a robust and efficient energy alternative for sustainable mobility, the company is to step up its efforts in this area. There is therefore expected to be a lot of activity in this segment during 2022.

BIOMETHANE

"In 2021, Nortegas promoted the development of new biomethane projects, as illustrated by the launch of the Ólvega biomethane plant"

As a driver of sustainability in the energy sector, Nortegas is leading the development of projects for the production and injection of biomethane from different organic sources in the natural gas network. Because it is compatible with natural gas, its deployment allows for the gradual decarbonisation of the economy using the existing energy infrastructure, while taking advantage of the opportunities it offers in waste management and circular economy. In addition, it is in line with the philosophy of fair transition, as it generates investment and jobs in rural areas.

Biomethane also presents challenges due to the transdisciplinary nature of the projects, in which it is necessary to establish alliances with the different players in its production process, such as waste managers and end customers.

The Ólvega biomethane plant

Nortegas is approaching the market nationwide for the implementation of biomethane generation projects for injection into the network. An example of this strategy beyond its traditional distribution areas is the first

development milestone achieved in Ólvega (Soria), with the launch of the first biogas plant designed for the injection of biomethane into the Spanish distribution network. The project was implemented through Nortegas Green Energy Solutions, together with Biovec, Bioenergía de Navarra, the other founding partners of Biolvegas, and Oleofat.

The plant will be operational by the end of 2022 and involves a total investment of 6 million euros in a municipality with a population density of 37 inhabitants per km², illustrating the potential of biomethane to generate employment in rural areas. The plant will be able to recover some 75,000 tons of waste a year to generate 38 GWh of biomethane, which will be injected directly into the network, equivalent to the annual consumption of some 8,100 households.

This project is a breakthrough in the deployment of biomethane in Spain, and an initial step for Nortegas in the development of this technology.

Nortegas, a driving force of biomethane

In addition to the Ólvega project, Nortegas has worked on a large number of biomethane initiatives in 2021.

New projects are expected to see the light in the coming years, and the production and injection of biomethane into distribution networks will be an important business line for the company.

Similarly, Nortegas continues to develop its own research projects in this area through the "Aula-Nortegas", which also researches hydrogen, and initiatives such as DINEGAS. This project has a dual goal, as Nortegas seeks to reduce the cost of metering equipment in its renewable gas injection projects and to monitor the higher heat value of natural gas and manage networks remotely to provide better service quality by integrating renewable gases into distribution networks.

HYDROGEN

Although the development of renewable hydrogen is not yet as technically advanced as biomethane, its potential to solve the intermittence problems of renewable energies and its ability to exploit the gas network place it as an important vector for the energy transition.

In this area, Nortegas is leading innovation and renewable hydrogen generation projects, offering blending as a solution that provides them with additional revenues and positioning itself as a distributor agent, promoting the 100% hydrogen networks that must be developed from scratch, to make hydrogen a reality in the medium term.

Leadership from the Basque Hydrogen Corridor

Nortegas is part of the Basque Hydrogen Corridor (BH2C), an initiative that brings together different players in an ecosystem involving the development of renewable hydrogen in the Basque Country. The initiative seeks to take advantage of the geostrategic position of Vizcaya as a technology hub and the financial and regulatory perspectives of the sector for the development of innovation projects related to clean hydrogen and distribution networks, and a combined investment of 200 million euros is expected in 2022.

As part of this initiative, Nortegas is responsible for the vertical hydrogen distribution infrastructure, both through hydrogen pipelines and through blending, which consists of injecting hydrogen into the current gas network.

"The H2SAREA project, headed by Nortegas, is the first strategic research project for hydrogen injection into the natural gas network"

In 2021, Nortegas launched the H2SAREA project, which involves the research and development of technological solutions to transform natural gas networks for the distribution of hydrogen under different scenarios. The behaviour of materials and components in contact with hydrogen and with mixtures of hydrogen and natural gas under different percentages of blending will be investigated through the H2Loop platform.

The aim of the initiative is to prepare gas infrastructures for the progressive integration of renewable hydrogen and for their ultimate transformation into full hydrogen transmission and distribution infrastructures.

H2SAREA will be a driving project source of new business and employment opportunities. The project, headed by Nortegas, is part of a consortium that includes important companies from the Basque industrial network, ABC Compresores, C.A.E., S.L. – FIDEGAS, H2Site, Erreka Fastening Solutions and Orkli, and involves the collaboration of two of the main Technology Centres of the Basque Science, Technology and Innovation Network. It is expected to last for three years, and its conclusions will form the basis for development and regulation of hydrogen at national level.

"Nortegas is to connect the Petronor refinery and the Abanto Technology Park via a hydrogen pipeline to promote the deployment of renewable hydrogen by the end of 2022"

In addition to the developments carried out as part of H2SAREA, Nortegas is to deploy the first 100% H_2 pipeline in Spain along with Petronor, which will connect the refinery of the Repsol subsidiary and the Abanto Technology Park.

The target of the project focuses on sustainable mobility, connecting the production of green H_2 with parent infrastructures for the distribution of H_2 for mobility that will be located at the Abanto Technology Park, where this energy source will also be supplied to the Living Lab and Energy Intelligence Center (EIC), which will also be located in Abanto. The pipeline will cover a distance of almost two kilometres and total investment is expected to be close to one million euros.

NORTEGAS, A BENCHMARK IN HYDROGEN

"Nortegas has established itself as a benchmark in the development of hydrogen at national level"

In turn, Nortegas, together with White Summit Capital, Castleton Commodities International (CCI), SENER and Bizkaia Energía, is taking part in the development of a project for the construction of the first green hydrogen plant nationwide that takes advantage of the infrastructure of the Amorebieta-Boroa combined cycle in Bizkaia. The target is to develop a green hydrogen plant with a capacity of 20 MW that produces 1,500 tons per year through certificates of origin and green PPAs (Power Purchase Agreements), which will prevent the emission of 12,000 tons of CO_2 into the atmosphere. The hydrogen produced will be used for injection into the natural gas distribution network, as well as the installation of an H_2 service station (hydrogen station) for the transport of local heavy vehicles. For this long-term project, the aim will be to seek support from European funds, adapting the design to the conditions established by the different programmes and thus gaining scalability for the project.

In Asturias, Nortegas is also promoting projects linked to the production of green hydrogen with partners such as Hunosa and Duro Felguera in different locations, with the aim of its use in mobility and also for its injection into the gas network. In this way, it maximizes the use of infrastructures and supplies formerly dedicated to mining, and provides solutions for the just transition in the region.

Beyond these projects, Nortegas has been leading development and R&D involving hydrogen for years, having participated in projects such as HYGRID, funded by the European Union, and SINATRAH, in partnership with Siemens Engines, Tecnalia and funded by the HAZITEK programme.

In this sense, Nortegas is committed to joint investment with technically and strategically solvent partners in the production of green hydrogen that uses the gas network and allows its commercialization through guarantees of renewable origin. Nortegas also collaborates with other stakeholders through partnerships such as the European Clean Hydrogen Alliance or Ready4H2.

SUPPLEMENTARY SERVICES

"The knowledge of Nortegas in the gas sector enables the company to offer supplementary services to the energy infrastructure"

In addition to the businesses linked to the distribution infrastructure, Nortegas offers supplementary services using its expertise as a benchmark in the gas sector in the areas in which it operates.

As such, the LPG maintenance service "Nortegas A Punto" already has more than 6,200 customers, despite being launched just a year ago. Nortegas A Punto, a new maintenance service for its propane customers is an example of this. With this service, Nortegas performs maintenance of the home installations through preventive inspections and offers 24-hour breakdown service every day of the year.

The company has also been working on other projects related to decarbonisation by replacing diesel boilers and other fuels with natural gas boilers, reducing household emissions with centralised solutions, facilitating their financing and offering supplementary maintenance and energy advice services. In addition, thanks to the modernisation of the facilities, energy consumption is optimised, resulting in savings in additional to the fuel change cost, leading to efficiency in energy consumption. Significant progress was made in this segment in 2021, despite the health restrictions.

6.2 Efficiency and digitisation

"During its transformation, Nortegas has sought to maximise its efficiency to lay solid foundations for the energy transition, using digitisation and the synergies of its teams"

As well as committing to a more secure and sustainable digitised distribution infrastructure, Nortegas is also working to improve its efficiency as an organisation. The health crisis has speeded up this process, demonstrating the company's resilience.

CAPEX investments have not only targeted new businesses and infrastructure maintenance operations, but have also focused on the company's digital transformation. Nortegas has launched important digitisation projects for process automation, to improve the mobility of its employees, and for network maintenance.

THE DIGITAL TRANSFORMATION OF NORTEGAS

"The company's response to the health crisis has proven its capacity to digitise its operations"

The company is amidst a digital transformation. The 2020-2022 roadmap seeks to support the business plan, making Nortegas a more efficient and agile company, and offering high standards of digital security.

Although the company tried to establish and optimise its IT infrastructure in the 2017-2020 plan, Nortegas is currently looking to make organisational processes digital. As a result, the company launched its BDG (Better, Digital and Green) plan in 2020. The strategy aims to promote the security of the distribution networks, generate savings in the company by maximizing efficiency and minimizing the environmental impact of its operations. The targets have been met to a high degree, and the strategy was re-assessed in 2021 to include new initiatives.

As part of the BDG plan, Nortegas has launched robotisation projects that allow for repetitive activities to be performed more efficiently. In total, twelve robots have been integrated into the company's operations which, in addition to improving workforce efficiency, allows for certain processes to be managed more robustly.

Similarly, Nortegas has launched mobility applications to facilitate emergency assistance and fieldwork for regular inspections of gas installations, with the capacity to remotely control certain contingencies.

Nortegas is also working on various projects such as the digitalization of key processes in operations, customer service, reporting and relations with gas installers, all aimed at optimisation and excellence in operations. Other examples of efficiency are the paperless initiatives to reduce the use of paper in offices and the reduction in the number of business trips.

Looking ahead, the company is working on its Data Warehouse and data analytics, based on which it will use the information obtained through its digital solutions. It also has ambitious digitisation projects involving smart meters and the Internet of Things. In addition to these areas, Nortegas will continue to work on improving its technological leadership, exploring different functions that could digitise networks and improve efficiency and security of supply, as well as the environmental footprint of the business.

With regard to the digitisation of the business, Nortegas has launched three digital products and offered the possibility for its customers to digitise their relationship with the company. Hence, over 6,300 people have registered through the private area of the company, digitising more than 8,500 customer operations.

DIGITISATION KPIS

	2021
No. of customers registered through the private area of the website	6,307
No. of internet operations	8,595
Robotised processes	12

07.

Safety and prevention

"Responsibility is a corporate value of Nortegas, and the company has a culture of prevention and safety"

One of the fundamental axes of Nortegas' strategy is to guarantee the safety of its operations and prevent negative impacts on the health of workers, contractors, consumers, and communities.

This purpose comes from senior management, where the Health & Safety and Environment Committee closely monitors the accident rate indicators of employees and contractors and priority health and safety issues. The Committee meets at least three times a year to oversee the strategy and discuss the company's targets in this area. Subsequently, the chairman of the Committee is in charge of presenting the targets to the Board of Directors for approval, who is also informed of the evolution of health and safety data as an operational indicator of the company's performance.

Nortegas dedicates the necessary resources to the operational control of the safety of its actions, through audits, inspections, and preventive safety observations. All this forms part of the occupational health & safety management system certified in accordance with Standard ISO 45001:2018 on Occupational Health and Safety Management Systems. Nortegas also has an occupational risk prevention policy that includes the company's commitment.

Because of its great importance to Nortegas, safety has been present in representing ESG criteria in the sustainable financing of the company. Hence, targets related with the frequency and severity rate have been linked to its conditions.

THE IMPACT OF THE HEALTH CRISIS ON PREVENTION

The role of Nortegas involves working at supply points and on public roads, which has led the company to develop action protocols for all field operations, especially those that require home care. In this sense, the company has provided employees and contractors whose activity involves performing tasks outdoors with all the necessary resources to operate safely.

The company's business has been considered an essential service, and operations have continued despite the health restrictions. This has provided field personnel with experience in performing their duties under the safety measures and health protocols defined since the start of the pandemic. For its part, office personnel have been working remotely during times of greatest impact, although, thanks to the development of vaccines, the company has developed a return protocol marked by the health & safety guidelines to follow when attending work sites.

7.1 Consumer and community health & safety

The safety conditions for consumers and surrounding communities are defined by legislation since the process is highly regulated. In particular, the legislation applicable to the Nortegas service is included in Royal Decree 1434/2002, Royal Decree 919/2006, Royal Decree 1027/2007, UNE 60670, UNE 60601, Royal Decree 984/2015 and the Decree 125/2016 of the Basque Country.

To ensure the safety of its infrastructures, Nortegas carries out an annual inspection plan that includes:

- Field audits on a sample of the actions of Zone Offices
- Audits of correct completion of a sample of the documents registered by Zone Offices
- Administrative controls of correct document management of the actions of Zone Offices
- Preventive Safety Observations (OPS) of a sample of the actions of Zone Offices

7.2 Beyond direct operations: Supply chain management

"The relationship between Nortegas and its contractors and suppliers is governed by the General Contracting Conditions (GCC), which include technical aspects and other ESG criteria"

The main activity of the Nortegas supply chain lies in providing technical services linked to the distribution of natural gas or the commercialization of LPG, of carrying out works, along with other cross-cutting and different aspects needed for the organisation.

The supply chain management is part of the Nortegas quality system, based on ISO 9001:2015. The relationship between Nortegas and its contractors and suppliers is governed by the General Contracting Conditions (GCC), which include technical aspects and other ESG criteria -labour, ORP, social, tax, environmental, confidentiality and insurance obligations-. Additionally, the documentation that governs the bidding processes is complemented with technical specifications that the business units can incorporate among their technical requirements.

INFRASTRUCTURE INSPECTIONS

	2019	2020	2021 target	2021
Field uptake audit percentage with favourable outcome	99.3%	99.2%	95.0%	99.5%
Percentage of programmed inspection audit with favourable outcome	96.9%	95.4%	95.0%	97.6%
Number of OPS technical services	106	118	72	136
Customer satisfaction index of uptake inspection	8.8	8.8	7.5	9.0
Customer satisfaction index of programmed inspection	8.7	8.7	7.5	9.0

"The operations of Nortegas contractors are subject to compliance with its Code of Ethics"

In order to guarantee the functioning of the networks and to minimize financial and ESG risks in its supply chain, Nortegas has external support tools to obtain detailed information on suppliers and access their rating, such as Repro de Achilles, and for the coordination of business activities in prevention matters, such as CTAIMA. Suppliers must accept the purchasing conditions set out above or what is set out in a commercial contract validated by the company, ensuring that all corporate purchasing operations comply with Nortegas' governing principles. The Code of Ethics explicitly states that its application extends to contractors, who are also informed of the company's anti-corruption policies along with other business partners.

The purchase process is proceeded by means of specifications and technical instructions. The process is activated with the definition of the technical requirements by the business units, which carry out the technical evaluation of the proposals received. The purchasing department is in charge negotiations, the award proposal –subject to the approval of the purchasing department and the business unit–, and the management of the formal aspects of the contracting –with the intervention of Nortegas' legal services, if applicable– with those suppliers that have passed the technical validation. All employees who participate in the purchasing process must comply with the Code of Ethics and comply with the fundamental principles set forth in the Purchasing Manual.

INDIRECT EMPLOYMENT		
	2020	2021
Subcontractors (FTEs)	506	540

The commitment of Nortegas to its suppliers has been evident during the pandemic. The target of the measures implemented by Nortegas has been to improve the financial situation of suppliers and their employees and to ensure the development of network extension and maintenance operations, for which measures were taken such as early payments and promoting health safety measures in operations.

ACCIDENT RATE INDICATORS

		2019	2020	2021 target	2021
Total	Frequency of occupational accidents involving own employees and subcontractors	0.3	0	<0.15	0
	Serious occupational accidents of own employees and subcontractors	0.1	0		0
Own	Accidents involving sick leave	2	0	0	0
	Accidents in itinere involving sick leave	0	0		0
	Accidents not involving sick leave	3	2		0
	Accidents in itinere not involving sick leave	1	0		0
Subcontractors	Accidents involving sick leave	1	0	0	0
	Accidents in itinere involving sick leave	0	0		0
	Accidents not involving sick leave	3	0		0
	Accidents in itinere not involving sick leave	0	0		0
	Absenteeism rate	<5%	4.3%	3.7%	3.6%
	Total hours worked	1,002,320	1,024,601		1,009,742
	Hours of own personal	386,772	390,325		372,085
	Hours of subcontractor personal	615,548	634,276		638,617

7.3 Health and safety of professionals

"The company has had no serious accidents for two consecutive years"

Nortegas has a robust health & safety management system for professionals based on the ISO 45001:2018 certification. The system covers the activities of NED España Distribución Gas, Nortegas Energía Grupo, Nortegas Energía Distribución, Tolosa Gasa, and NED GLP Supply.

The company has a large number of procedures in place to ensure the proper implementation of operations. The procedures are included in work instructions (IT), which clearly describe how the tasks have to be carried out to avoid damage, the technical specifications and the technical quality specification (ET), which establish procedures in the safety conditions of the contractors. It also has the specific procedures of the occupational risk prevention area.

"Safety is a strategic goal of Nortegas, and prevention culture has an impact on the variable remuneration of employees and on financial conditions as an ESG target of sustainable finance"

All employees have among their personal goals to perform at least one OPS per year. Specifically, for senior management and the management team, variable remuneration is linked to the achievement of targets related to the number of accidents, incidents in own vehicles and compliance with the OPS plan. For middle managers and technical staff, the targets are related to the frequency rate[9].

Every year, the management and the prevention service plan the preventive activities to be carried out with the prior approval of the Health & Safety Committee, as required by law. Regarding the initiatives developed by Nortegas in this area, the company was able to certify its system under the ISO 45001:2018 Standard in 2021.

In the field of training, as is the case yearly, the matrix of positions that defines compulsory training based on the risks of the job and the supervision activities on own personnel and contractors has been reviewed and updated. In 2020, the company workforce received training in Preventive Safety Observations (OPS), while in 2021 received training on fires and first aid. This means that every employee of the company, regardless of their position, has been trained in all three areas.

In order to identify work-related hazards and assess risks routinely, the risk assessment methodology established by the Ministry is used. The identification of occupational hazards is carried out by the H&S technician, as indicated by law, and as specified in an internal procedure agreed with the prevention service. The company is committed to conducting a 100% routine review of risk assessments at least every four years, the last having been carried out in 2019. In view of internal needs, preventive reviews and risk assessments of specific activities are sometimes carried out. Work-related hazards that pose a high risk are considered in risk assessments of jobs or facilities and due to the nature of the activity they focus on protection against ATEX risks, confined spaces and working at heights. Risk prevention measures for these activities are strongly regulated by European directives and national regulations.

[9] *No. of accidents involving sick leave/Total no. of hours worked*

“Within the company’s prevention culture, employees report work environment incidents to the team on aspects that could have an impact on job safety”

There is an email address and a space on the intranet where a form can be filled in to contact ORP, as well as the PROSAFETY tool. Employees can also directly contact their managers; their protection is ensured by the Code of Ethics and the Health & Safety Committee. In 2021, employees were encouraged to report incidents in order to improve the safety conditions of the immediate environment, having received around 980 communications through this channel.

In the event of an incident, each case is investigated collaboratively by the prevention service and the health and safety area. The prevention service is in charge of conducting the investigation, although the Health & Safety Committee is informed to study the causes and establish action plans and prevention measures.

Alongside this, Nortegas conducted a psychosocial risk assessment during 2020 in view of the impact of the pandemic. The aim was to analyse the factors related to the organisation, the content of the work, and the performing of tasks that may affect employee health and, therefore, company efficiency, with significant participation (75%). In this way, the process has made it possible to identify and estimate the magnitude of the existing risks and take the necessary preventive measures to minimize them.

Similarly, in the event of an incident with a contractor, the contractor's external prevention service is in charge of conducting the investigation with the participation of the company, which will meet with the contractor's manager to agree on the implementation of the corresponding measures. In addition to this, Nortegas has an internal tool that allows it to monitor the compliance of contractors in terms of health and safety. This system collects the information, training and protective equipment requirements that contractor companies should make available to their workers. With all this, periodic monitoring meetings are held, sharing of lessons learned, as well as coordination and search for points of improvement.

7.4 Crisis and emergency management

The commitment and policy of Nortegas is included in the company's quality management system. The management system is based on established processes and procedures in order to preserve the business and protect the reputation of the company. Hence, Nortegas has a person in charge of the emergency management area who reports to the network operation and management director. The processes are documented by means of emergency plans or internal regulations, such as the technical specifications and the Crisis Management Plan, in which the Board of Directors is included in the management, if necessary.

The company has criteria for the identification of complex situations. In addition, it has assigned managers to manage these situations and has established communication strategies and processes.

"Despite the pandemic, the company has maintained high standards of service quality"

In 2021, despite the revival of economic activity, there were 36,220 emergency calls, which is 1.7% less than in 2020 and 8.8% less than in 2019. The remaining indicators are also within their expected parameters.

EMERGENCY MANAGEMENT INDICATORS

	2019	2020	2021 target	2021
No. of calls	39,756	36,852	NA	36,220
Number of notices	6,599	6.221	NA	6,690
Emergency management efficiency index (number of P1[10] + P2 notices per 1,000 people)	6.4	5.9	<8	6,3
P1 notice allocation time (minutes)	0,8	1,3	<5	1.6
P1 notice travel time	23.8	25.4	<30	27.3

[10] *P1 notices are those with the highest priority.*

08.

Talent

Talent management is a cornerstone of the sustainable growth strategy of Nortegas. In 2021, its importance increased even further due to the challenges posed by:

MENTAL HEALTH

Within the context of the health crisis, mental health has become more important than ever. Although social isolation measures have gradually dissipated, the pandemic has had a major impact on mental health. For Nortegas, the answer to this challenge is to place employee health and satisfaction at the centre of their decisions through active listening and the development of internal value.

TRANSFORMATION OF NORTEGAS

Nortegas has become a comprehensive services company with new areas of expertise. The company is committed to developing its internal talent and attracting new profiles to respond to this challenge.

"The company's transformation has been possible thanks to the proactive, multidisciplinary nature and learning of its people, as well as the capacity of Nortegas to retain and attract talent"

GENERATIONAL TRANSITION

The Nortegas workforce will face generational renewal in the coming years, which poses a challenge in terms of knowledge retention. Nortegas has begun preparing for the generational change-over.

DIVERSITY, EQUALITY AND INCLUSION

The integration of ESG criteria is one of the mainstays of the company, which involves re-assessing processes in all areas. One of the key milestones of 2021 was the company's strategic diversity, equality and inclusion plan.

8.1 Talent attraction and development

"For Nortegas, 2021 has been particularly relevant in terms of people"

The Nortegas people management system is based on its Human Resources Policy, approved in 2019 with the aim of attracting, developing and retaining talent, as well as promoting the culture of belonging, diversity and equal opportunities.

WELL-BEING OF PROFESSIONALS

	2020-2021
Satisfaction of professionals	7.3
Professional satisfaction survey response ratio	84%

WELL-BEING AND HUMANISM

"For Nortegas, good human resource management involves listening, understanding, and developing internal value"

In 2020, Nortegas conducted an employee survey related to the situation caused by the pandemic. The target was to know what they thought of the management of the company, how they were experiencing the crisis and what actions they proposed to improve it.

Participation was high -84%-, especially from remote personnel, who positively valued the communication channels and the work tools made available to them. Overall professional satisfaction was high (7.3), although 11% indicated difficulties in achieving a work-life balance. Among the field staff, the communication of those responsible and the prevention measures showed room for improvement. Consequently, Nortegas took measures to reinforce PPE and actions to improve ergonomics and reconcile remote work.

Following this survey, an action plan was drawn up with measures focused on improving the satisfaction of professionals. The results will act as a basis for analysing the evolution of the performance of Nortegas in this area.

In addition, a company-wide cross-cutting training campaign on the company's mission, vision and values was launched in 2021, and dialogue has been encouraged through employee groups in different areas to foster strategic reflection and active listening by the company.

The well-being of professionals is one of the cornerstones of the Nortegas project. One example is that, within a context of digital transition, process robotisation has been able to avoid redundancies and improve company efficiency. Similarly, the company has offered emotional health training for employees, with training related to psychosocial improvement, mindfulness or optimism.

The result of the work of Nortegas can be seen by the commitment of the professionals to the firm. With just 1.4% of unwanted rotation in 2021, which has stood at below 1% since 2019, the continuity percentage of the company's core of professionals has been 98% over the past three years, regardless. In a period marked by an unstable labour market made worse by the pandemic, this figure is proof of the company's work to retain its professionals.

Despite this, the major challenge for Nortegas in this area is the arrival of a generational change-over in the company.

ROTATION AND SATISFACTION

	2019	2020	2021
Unwanted rotation (%)	0.4%	0.4%	1.4%

GENERATIONAL TRANSITION

"The priority of Nortegas is to support the development of the current workforce, with the creation of new jobs and access to positions of greater responsibility"

Due to the challenges presented by the generational transition, knowledge retention is one of the company's priorities. In 2021, Nortegas continued its knowledge transfer model to ensure critical knowledge remains in the company.

As a new development, Nortegas launched its Next Generation development programme in 2021, aimed at a group of professionals in the firm, which seeks to develop the professionals that will lead Nortegas in the future. The programme, carried out in collaboration with the Deusto Business School, covers the different areas of business management and promotes collaboration among the firm's professionals. This training is a clear commitment to internal talent in the face of the challenge of the generational change-over it faces in the coming years.

Alongside this development plan are other corporate initiatives, such as the strategic days, which brought together members of the management team and company managers to jointly reflect on the future of Nortegas and to improve cohesion among company members.

DEVELOPING INTERNAL TALENT AND ATTRACTING NEW PROFILES

"The 218 people in the team have been able to maintain operational excellence despite the health crisis and the company's transformation"

Nortegas defines the staff training plan on an annual basis based on the strategic needs of the company and the specific knowledge required by the different departments. It is a plan open to the requests of the employee, designed for their professional and personal development, and adapted to the requirements of the position. Over recent years, the plan has been a cornerstone of the company due to the importance of reskilling for the success of the company's strategic transformation.

As a result, Nortegas has given an average of 29 hours of training per employee, with average training expenditure of €574 per employee.

The 2021 training plan presented new developments compared to previous years. In 2021, the company's skills-based management model was redefined to align it with the company's purpose, mission, vision and values. As a result, a 70-20-10 tool was launched to promote employee development. The aim is for 70% of their development to be based on specific projects and certain tasks, for 20% to be channelled through mentoring processes, and for 10% to be obtained from traditional training initiatives, such as courses or pills. In 2021, a total of 8 professionals were trained under mentoring programmes to implement this programme.

In addition, technological profiles have been incorporated in order to develop strategic initiatives and promote the sustainable expansion of the company. More specifically, professionals with experience in renewable gases and digital infrastructure have been appointed, showing the company's commitment to

TRAINING INDICATORS [11]

	2019	2020	2021 target	2021
Training given (hours)	10,265	5,325		6,484
Training per employee (hours)	43.1	22.4		28.95
Staff who have attended the courses (%)	99%	100%		96%
Training cost per employee (euros)	-	269		574
Employees who have received ESG training (%)	-	100%	90%	98%

[11] *Indicators affected by Covid-19.*

sustainability and the digital transition. Likewise, Nortegas has continued to promote quality local employment through open-ended contracts. A total of 6 professionals joined the firm in 2021.

On the company intranet, new employees were provided with the mandatory training –ORP, compliance, etc.– and the welcome programme prepared by Nortegas in line with its mission, vision, purpose, and values. Through this, Nortegas seeks to make joining the company as easy as possible for new employees.

The improvement of youth employability has also been promoted by continuing with different Dual Vocational Training programmes and the inclusion in the labour market of young people at risk of social exclusion through its collaboration with the Itaka Foundation.

8.2 Diversity, equality and inclusion

"The diversity, equality and inclusion strategy has been one of the main milestones of Nortegas in 2021"

Nortegas ensures that all its professionals enjoy equal opportunities in terms of employment, training, promotion and development of their work, monitoring possible discrimination, and implementing active policies that eliminate possible discrimination that could be detected by reason of gender, marital status, age, territorial origin and other circumstances that could cause discrimination or interrupt the principle of equal opportunities. Hence, Nortegas includes aspects related to this area in the Human Resources Policy, in its Code of Ethics, and in the Collective Bargaining Agreement.

BREAKDOWN OF PROFESSIONALS BY CATEGORY, AGE AND GENDER

2019

	<35		35-45		45-55		>55		Total		Total
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	
Operational technician	0	0	0	5	10	12	16	4	**26**	**21**	**47**
Support technician	1	0	6	3	10	8	9	2	**26**	**13**	**39**
Head technician	3	3	11	12	21	8	20	4	**55**	**27**	**82**
Manager	0	0	7	9	4	3	6	2	**17**	**14**	**31**
Head of department	0	0	3	6	2	2	3	1	**8**	**9**	**17**
Director	0	0	2	1	7	3	6	1	**15**	**5**	**20**
Total	4	3	29	36	54	36	60	14	**147**	**89**	**236**

BREAKDOWN OF PROFESSIONALS BY CATEGORY, AGE AND GENDER

2020

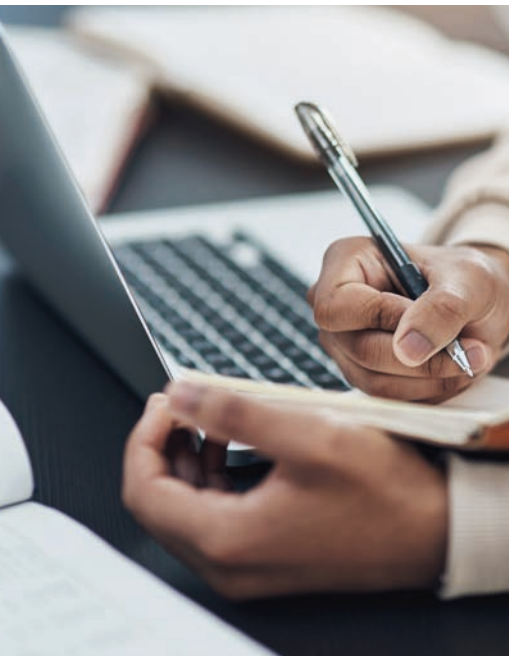
	<35		35-45		45-55		>55		Total		Total
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	
Operational technician	0	0	0	3	8	12	16	7	**24**	**22**	**46**
Support technician	1	0	6	0	4	9	11	3	**22**	**12**	**34**
Head technician	3	1	11	6	17	10	23	6	**54**	**23**	**77**
Manager	0	1	6	4	5	6	7	3	**18**	**14**	**32**
Head of department	0	0	3	8	1	2	2	1	**6**	**11**	**17**
Director	0	0	1	1	7	3	10	1	**18**	**5**	**23**
Total	4	2	27	22	42	42	69	21	**142**	**87**	**229**

BREAKDOWN OF PROFESSIONALS BY CATEGORY, AGE AND GENDER

2021	<35		35-45		45-55		>55		Total		Total
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	
Operational technician	0	0	0	4	8	12	7	5	**15**	**21**	**36**
Support technician	1	0	5	0	6	10	9	3	**21**	**13**	**34**
Head technician	3	1	13	5	18	11	20	4	**54**	**21**	**75**
Manager	0	1	8	4	7	6	6	3	**21**	**14**	**35**
Head of department	0	0	3	8	1	2	2	0	**6**	**10**	**16**
Director	0	0	2	1	7	3	8	1	**17**	**5**	**22**
Total	4	2	31	22	47	44	52	16	**134**	**84**	**218**

NUMBER OF EMPLOYEES BY TYPE OF CONTRACT, GENDER AND PROFESSIONAL CATEGORY

	2019			2020			2021		
	Open-ended		Total	Open-ended		Total	Open-ended		Total
	Men	Women		Men	Women		Men	Women	
Operational technician	26	21	**47**	24	22	**46**	**15**	**21**	**36**
Support technician	26	13	**39**	22	12	**34**	**21**	**13**	**34**
Head technician	55	27	**82**	54	23	**77**	**54**	**21**	**75**
Manager	17	14	**31**	18	14	**32**	**21**	**14**	**35**
Head of department	8	9	**17**	6	11	**17**	**6**	**10**	**16**
Director	15	5	**20**	18	5	**23**	**17**	**5**	**22**
Total	147	89	**236**	142	87	**229**	**134**	**84**	**218**



NEW HIRES AND PROMOTIONS

	2019	2020	2021
Incorporations to the workforce[12]	5	3	6
Promoted employees	7	9	6
Promoted women	4	4	3
Promoted men	3	5	3

AVERAGE HOURS OF TRAINING BY CATEGORY

	2021
Operational technician	24.9
Support technician	31.4
Head technician	30.7
Manager	39.1
Supervisor	30.3
Director	19.5

AVERAGE HOURS OF TRAINING BY GENDER

	2021
Men	32.3
Women	26.4

[12] *All the incorporations made have been with open-ended contracts.*

Nortegas is committed to the integration of people with disabilities through direct hiring of staff and collaboration with Special Employment Centres. The company ensures that employees with disabilities can access their job and perform their duties correctly. Currently, 0.92% of the Nortegas workforce is made up of people with disabilities, although thanks to contributions to Special Employment Centres the equivalent percentage of employees with disabilities in the workforce is 4.3%.

"Aligning employee performance assessment with the organisation's ESG goals fosters a synergic sustainability-oriented work model"

The remuneration of professionals includes variable remuneration targets linked to operational criteria and other performance KPIs, including ESG criteria. The main source of disparity in the remuneration of Nortegas employees lies in the historical salary differences resulting from the evolution of the company itself. The organisation has evolved to adapt

AVERAGE REMUNERATION BY GENDER AND PROFESSIONAL CATEGORY 2020[13]

	Men	Women	Absolute difference	Contribution to the gap
Operational technician	47,589	42,788	4,801	1.9%
Support technician	44,394	40,110	4,284	1.7%
Head technician	47,726	47,120	607	0.5%
Manager	52,464	53,315	-850	-0.2%
Head of department	67,261	64,757	2,504	0.2%
Director	108,853	99,036	9,817	1.3%

AVERAGE SALARIES BY GENDER AND PROFESSIONAL CATEGORY 2021[13]

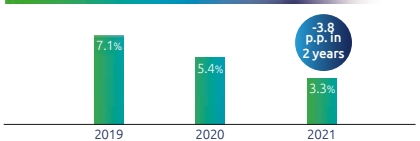
	Men	Women	Absolute difference	Contribution to the gap
Operational technician	47,320	45,738	1,581	0.4%
Support technician	45,546	39,716	5,830	2.3%
Head technician	47,092	47,043	49	0.0%
Manager	52,122	53,827	-1,705	-0.5%
Head of department	68,329	64,317	4,012	0.3%
Director	109,627	103,589	6,038	0.7%

[13] 2020 and 2021 remuneration data include base salary only

to the market and underwent merger and acquisition processes until it joined Nortegas, which largely explains the company's salary differences, which have gradually reduced thanks to the fostering of a more robust and equitable remuneration model in the company.

Considering the gender wage gap by professional category, the pay gap has evolved positively in recent years. Although this calculation is affected by other factors involving remuneration, such as experience in the company and length of service, salary disparities have fallen sharply by 3.8 percentage points, which is equivalent to a reduction of more than 50% from 2019 levels.

EVOLUTION OF THE WAGE GAP



DIVERSITY, EQUALITY AND INCLUSION PLAN

"Nortegas is committed to diversity, equality and inclusion in its broadest sense, starting with a safe, fair and inclusive working environment, and expanding the influence of Nortegas on its stakeholders"

As part of the Equality Plan, Nortegas has approved an action plan on diversity, equality and inclusion in the past two years.

DIVERSITY, EQUALITY AND INCLUSION PLAN

Targets

- To be fair
- To value our employees
- To promote opportunities
- To be flexible
- To improve efficiency
- To support collaboration with our stakeholders

PILLARS	
Leadership & Governance	Include DEI in the Governance bodies agenda: BoD and Committees: - Sensitize to all the company - Set objectives
People	Ensure DEI principles are present through the professional life cycle in all the processes and procedures: - Promote flatter structures and ways of working with transversal and diverse teams. - Create inclusive work-places
Stakeholders	Spread Nortegas´s DEI principles with Suppliers, Customers and Community
Bias	Eliminate the bias in all the processes and procedures and communications (both, internal and external)
Communication	To build DEI culture
Poverty and social exclusion (covid-19)	Seek alliances with local institutions, suppliers, NGO´s etc., for developing actions to mitigate the COVID-19 effects.

Through this strategy, Nortegas seeks to strengthen its workplaces as safe and equal environments, where everyone is treated equally regardless of gender, race, age or social circumstances.

8.3 Labour rights and work-life balance

"At a particularly challenging time for mental health, the goal is for employees to be able to perform their work with satisfaction and balance it with their personal life"

The commitment of Nortegas to labour rights goes beyond legislative compliance, as demonstrated by the collective agreement agreed in 2019. The company will work on updating the agreement in 2022.

The company also offers benefits to employees, such as the flexible compensation plan, which allows the worker to contract benefits such as childcare and food vouchers, purchase of computer equipment and private health insurance. It also offers scholarships, grants and services such as the pension plan, to which 99% of the workforce is attached. In addition, in order to promote work-life balance, Nortegas

offers flexible working hours so that employees can choose their entry and exit times. In addition, 10 employees have taken part in reductions in working hours due to legal guardianship, which accounts for 4.6% of the workforce, and the six employees taking parental leave have returned to their jobs.

MATERNITY AND PARENTAL LEAVE

	Men	Women
Employees entitled to parental leave	3	3
Employees on parental leave	3	3
Employees who have returned to work after leave	3	3
Employees who have returned and are still at work 1 year later	3	3
Return-to-work rates and retention of employees who took leave	100%	100%

Beyond labour rights and benefits, Nortegas organizes activities in order to improve employee satisfaction and well-being. Thus, in 2020 it launched a conversational tool on various digital platforms so that employees could share their experiences during lockdown. In 2021, an action plan was implemented to minimise psychosocial risks in the workplace, and initiatives were implemented to improve the mental health of professionals. The target of the organisation is to have a humanistic and agile working method, for which it will work on listening and understanding the needs of employees and facilitate their work-life balance.

Moreover, the pandemic has remained a challenge for professionals, with a particular impact at certain times of the year. Therefore, Nortegas has always tried to facilitate the prevention and isolation of its employees in situations of risk. Similarly, the context of teleworking has posed a challenge for society in terms of the work-life balance. In 2021, it is worth mentioning the challenge posed by the management of people in Nortegas. Despite the difficulties, the workforce has managed to cope with the situation and show an enormous capacity to adapt to the complicated situation.

09.

Social and environmental impact

"Nortegas has integrated sustainability into its business model because it is aware of the need to generate long-term shared value in the communities in which it operates"

The Nortegas business generates a social and environmental impact that is essential to the sustainable transition. Gas distribution networks provide access to energy supply but also contribute towards decarbonisation. The penetration of the Nortegas infrastructures allows for the replacement of more polluting energy sources, as well as the integration of renewable gases and other sustainable solutions, such as VNG.

Although the networks are essential, the impact of Nortegas would not be conceivable without considering its organisational model as a whole. The company has commitments, policies and initiatives with a clear social purpose, and acts responsibly with the natural environment. As part of this commitment, Nortegas has created a sustainability area across all operations that is responsible for integrating ESG (environmental, social and good governance) criteria into the decision-making process of each area.

9.1 Environmental impact

The Nortegas activity contributes to the energy transition, the circular economy, and the decarbonisation of industrial sectors and households. Yet, as an organisation, it also works to reduce its environmental footprint.

CLIMATE CHANGE

"Greenhouse gas emission reduction targets have been included in the terms of funding obtained by Nortegas to seal its strategic commitment"

With regard to climate change, over the past year the company conducted a risk and opportunity analysis of climate change following the recommendations of the TCFD. Throughout this report, and specifically in

LEVERS OF ACTION

Integration of TCFD recommendations	Recording of the carbon footprint	Reduction of energy consumption	Electricity with guarantee of renewable origin
Improvement of the measurement of Scope 3 emissions	Prioritisation of fugitive emissions	Fleet of VNG vehicles	Reduction targets linked to sustainable finance

the risk section (chapter 5), details are given on the processes of governance, strategy, and management of the risk process. To this end, this chapter covers metrics and aspects of climate change management in Nortegas beyond the perspective of risks and opportunities.

Over the past year, Nortegas has conducted a review of its methodology and its environmental accounting procedures. More specifically, Nortegas has improved its measurement of scope 3 emissions, considering mobile combustion emissions of collaborating companies, and its own mobility beyond the vehicle fleet (travel by air, train, etc.). Through this process, the company has sought to increase its transparency in terms of emissions, and show its desire to fight climate change.

The main source of greenhouse gas emissions of Nortegas is related to fugitive methane emissions from the gas distribution network and, therefore, is determined by the technical limitations of the facilities. In total, considering the fugitive emissions of scope 1 (in its own facilities) and scope 3 (in customer facilities), these represent 94% of the total emissions of Nortegas.

Therefore, Nortegas has prioritised its own fugitive emissions as the focus for reducing its emissions. The main action taken by the company has been to detect and repair leaks, which has been prioritised since 2020. Nortegas monitors its network on an annual basis in part of the gas network as opposed to the biannual monitoring set by regulations. On improving measurement systems and given the reactivation of the economy, emissions recorded in 2021 are higher than in 2020 (+2.8%), although this is positive data when considering the historical series (-39.8% compared to 2019).

Likewise, the company has neutralised all its scope 2 emissions thanks to its guarantee of renewable origin certificates for its electricity consumption. In turn, Nortegas leads by example through its goal set in earlier years of completely replacing its fleet of diesel and petrol vehicles with new VNG vehicles by 2025, the gradual transformation of which has already begun.

This shows the company's commitment to integrating environmental sustainability and decarbonisation into all facets of its business.

GREENHOUSE GAS EMISSIONS (T CO_2E)

	2019	2020	2021	Variation 20-21
Direct emissions (scope 1)	**8,043**	**4,843**	**4,969**	2.6%
Own natural gas boilers	116	93	99	6.5%
Fleet of own vehicles	303	288	284	-1.4%
Own fugitive emissions	7,623	4,462	4,586	+2.8%
Other leaks (emissions of refrigerant gases from air conditioning equipment)	0	0	0	0
Indirect emissions (scope 2)	**159**	**97**	**0**	-100.0%
Electricity consumption	159	97	0	-100.0%
Indirect emissions (scope 3)	**1,385**	**8,711**	**5,437**	-37.6%
Water consumption	0.6	0.4	0.2	-57.5%
Fugitive emissions from customers and meters	1,347	7,903	4,658	-41.4%
Fuel consumption by collaborating companies	-	794	772	-2.8%
Paper consumption	5	5.1	0.5	-90.8%
Courier service	-	1.03	0.97	-5.8%
Internal mobility (travel)	37	7	6	-10.1%
Total emissions	**9,587**	**13,650**	**10,406**	-23.8%
Intensity of emissions (tCO_2e of scope 1 and 2)/(GWh distributed energy)	0.26	0.18	0.17	-8.4%

TCFD 4 a and b

Metrics used by the organisation to assess climate-related risks and opportunities, in line with its strategy and its risk management process. Scope 1, scope 2 and, where applicable, scope 3 greenhouse gas (GHG) emissions, and related risks.

TCFD 4c. Targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

In line with its 2022 sustainable financing framework, Nortegas aims to reduce its scope 1 and 2 emissions annually from the level of emissions in recent years.

NORTEGAS TARGETS

Scope:	1+2
Base:	Average emissions 2018-2020
2021 reduction target:	17% reduction
Reduction path, 2021-2024:	5% annual reduction
Total reduction planned for 2024:	**29% in relation to the 2018-2020 average**

Science-based targets verified by an independent third party.

The Nortegas emissions reduction and climate change plan aims to reduce energy consumption. As a result, despite the fact that a large part of activity came to a standstill in 2020 due to the pandemic, energy consumption was reduced in 2021 by 17.1%. Nortegas is now a company with more responsible and conscious consumption, which has managed to reduce its energy consumption by 25% in just two years.

In terms of the adaptation to climate change, in 2018 it took part in a study promoted by the Basque Government, the result of which was the non-significant assessment of the impact of the adverse phenomena of climate change on company assets in light of different scenarios involving an increase in the average global temperature. The result of the study made it possible to show the public administration that the Nortegas infrastructures, essential for the Basque Autonomous Community, are prepared to withstand the consequences of global warming. This is because, in light of extreme weather events, the network would continue to operate, and the only difficulties would

ENERGY CONSUMPTION (MWH)

	2019	2020	2021	Variation 20-21
Consumption of natural gas	**1,622.1**	**1,435.9**	**1,437.6**	**+0.1%**
Maintenance centers	336.3	316.2	360.3	+13.9%
LNG plants	21.9	13.6	11.2	-17.6%
Offices	183.8	98.8	75.4	-23.7%
VNG	1,046.9	977.8	949.3	-2.9%
Regulation and measurement stations (ERM)	33.2	29.5	41.5	+40.7%
Electricity consumption	**822.3**	**759.1**	**646.1**	**-14.9%**
Maintenance centers	252.6	184.5	219.1	+18.8%
LNG / LPG plants	122.2	113.3	130.9	+15.5%
Offices	442.4	456.6	291.1	-36.2%
Regulation and measurement stations (ERM)	5.1	4.7	5	+6.4%
Total consumption	**2,444**	**2,195**	**2,083.7**	**-17.1%**

involve mobility to reach facilities and certain communications.

It is worth mentioning that the conditions of the Nortegas infrastructures in the remaining business lines and regions are similar and, therefore, the impact on them is not considered significant.

BIODIVERSITY AND ECOSYSTEMS

"Most of the work by Nortegas has a neutral impact on biodiversity and ecosystems"

The possible impact of the Nortegas distribution network on the environment is limited to the infrastructure development process. Once the distribution pipe is buried, its impact on the ecosystem is nil. In this sense, and in relation to biodiversity, Nortegas complies with the license conditions for the works it carries out affecting areas of special protection, which consist of the replacement of the plant cover, the annual cleaning of the track and the monitoring of the same every two to three years.

Most of the work by Nortegas is conducted in the urban environment and, by definition, it does not build in protected natural spaces. However, 300 km of network and 228 installations cross through protected areas or areas of high biodiversity value, although there are no operations centres inside protected areas or areas of high biodiversity value. In any case, the company's air facilities and LPG tanks are located in peri-urban areas that in no case affect natural environments that are protected.

"The organisation has robust procedures in place to ensure the protection of biodiversity"

ENVIRONMENTAL VIEWER

Although the impact on biodiversity does not represent a material issue, the company has developed its own tool based on an environmental viewer that records the impact in the three autonomous communities –Asturias, Cantabria and the Basque Country– and the procedures and instructions for work in the natural environment –cleaning, maintenance, monitoring, etc.-. This tool allows for the management of the network to be digitised in 3D and allows for possible risks in work to be identified and mitigated, as well as facilitating emergency action. Gas distribution is outside the catalogue of potentially polluting activities for soils. In any case, Nortegas annually analyses all possible impact on biodiversity, including impact on water, soil, flora and fauna, atmospheric emissions, waste, noise, storage of chemical products, discharges, leaks and spillages, and energy consumption.

Despite the reactivation of activity and, therefore, of mobility operations, emissions from the vehicle fleet have decreased over the past year. Likewise, in 2021, Nortegas recorded no spillages or emissions of lead, mercury, POPs, PAHs or other substances that damage the air except ozone, which are not currently within the scope of analysis.

SPILLAGES

	2021
Significant spillages (fuel, waste, chemicals, or other)	0

ATMOSPHERIC EMISSIONS (KG) [14]

	2020	2021
SO_x emissions	845.1	833.1
NO_x emissions	338.4	337.8
PM2.5 emissions	7.1	5.9

[14] These emissions originate from the fleet of vehicles

RESOURCES AND THE CIRCULAR ECONOMY

"In addition to promoting the development of biomethane, the organisation is implementing the circular economy in its internal processes"

Regarding raw materials, specifically, fuels for its own vehicles, Nortegas has recorded a decrease in the use of natural gas and a slight increase in diesel and petrol consumption. Regarding water, Nortegas does not use water resources in its production processes, nor does it generate discharges. The use of water takes place exclusively in the workplace and, therefore, its supply comes from the municipal supply networks. Although the consumption of water is not material for the company, it is committed to rationalization and efficiency in its use. Thus, it permanently monitors its consumption in the offices and works to reduce its use to a minimum. It should be noted that, due to the geographic location of Nortegas activities, there is no water consumption in water stressed areas.

Although consumption dropped in 2020 due to the pandemic, consumption data in 2021 has further improved, with an 8.4% reduction in consumption compared to 2020 and almost 33% compared to 2019. This reduction is due to the improved performance in maintenance centres, which represent the company's main consumption points.

CONSUMPTION OF RAW MATERIALS

	2019	2020	2021	Variation 20-21
Diesel and petrol (litres)	31,360	32,089	33,310	+3.8%
Natural gas (kg)	66,470	62,083	60,276	-2.9%

WATER CONSUMPTION (M^3)

	2019	2020	2021	Variation 20-21
Maintenance centers	754	849	670	-21.1%
LNG / LPG plants	185	230	242	+5.4%
Offices	745	153	217	+41.8%
Total consumption	**1,684**	**1,232**	**1,129**	**-8.4%**

The Nortegas environmental management system covers all of its sites under the ISO 14001:2015 Standard, including the use of resources and the generating of waste.

Regarding the latter, the company's main impact on waste is associated with activities that require civil works for the development and maintenance of the gas network. Therefore, as they are specific interventions, the company prioritizes the proper management of the waste generated, over reducing it. Thus, 100% of the waste generated as a result of the Nortegas activity is valued, both non-hazardous and hazardous.

In 2021, there was a 1.3% reduction in total waste, accompanied by an improvement in the performance of total construction and demolition waste per metre of network built.

The company periodically reports both fuel consumption and the volume of waste generated to the Health, Safety and Environment Committeeittee, which is dependent on the company's Board of Directors.

WASTE (TONS)

	2019	2020	2021	Variation 20-21
Non-hazardous waste	3.4	40.5	24.4	-39.8%
Hazardous waste	0,7	0,3	0,5	+53.4%
Construction and demolition waste (CDW)	14,786	20,808	19,737.8	-39.0%
Total waste	**14,790.1**	**20,848.8**	**21,783.7**	**-5.1%**
Total recovered waste	**14,790.1**	**20,848.8**	**21,783.7**	**-5.1%**
Total CDW per meter of network built (ton / meter)	0.68	0.62	0.57	-6.7%

9.2 Respect and promotion of human rights

"The commitment of Nortegas to compliance with human rights goes beyond legal compliance"

Through its business, Nortegas supports the right to decent housing by ensuring quality energy supply and fighting energy poverty. However, its impact as an organisation does not stop there, as it has initiatives and procedures that aim to generate a positive impact in this area.

The Nortegas Code of Ethics establishes the company's commitment to human and labour rights, based on recognized frameworks in both national and international legislation. In this sense, Nortegas is committed to promoting initiatives and practices that promote respect for sexual identity and freedom of worship; the rejection of workplace harassment; the maintenance of a hygienic-sanitary and safety project at work that facilitates safe and healthy working conditions; the respect and guarantee of the right to freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour and the eradication of child labour; the abolition of discriminatory practices in employment and occupation; or the rejection of hiring foreigners who do not have a work permit; among others. Additionally, Nortegas transfers these commitments to its suppliers through specific contractual obligations contemplated in the general contracting conditions.

As part of its model for organizing and managing legal compliance and crime prevention, Nortegas periodically monitors the risk of committing crimes against human rights within the organization. Over the past three years, Nortegas has analysed the human rights risk of all of its operations.

To this end, the company has identified two processes in which human rights could be affected, specifically with regard to working conditions and rights (worker health and safety and non-discrimination), to which it has responded through the health and safety system -which marked two years without serious accidents in 2021- and the diversity, equality and inclusion plan (see chapter 8). Similarly, the workforce has been trained in human rights in recent years. More specifically, 100% of the workforce was trained in policies and procedures in this area in 2020.

RESPECT AND PROMOTION OF HUMAN RIGHTS

	2019	2020	2021
Operations analysed for human rights risks (%)	100%	100%	100%
Hours of training per professional on human rights	2.54	0.56	-
Professionals trained in human rights policies and procedures (%)	88%	100%	-

The risk statements of Nortegas define the appetite and tolerance to the health and safety risk. The company aims to value, support, develop and use the full potential of its employees to make the organization a stimulating and safe place to work. Under this premise, any deviation from a culture of equality and diversity, and of dignity and respect, as well as any violation of the health and safety of professionals, contractors and visitors has a low or non-existent risk appetite in the company.

In matters of diversity and integration of people with disabilities in the labour market, part of Nortegas' suppliers are Special Employment Centers (CEEs). In particular, the total amount of purchases to CEEs was €147,159 in 2020. This figure is 14% higher than in 2019.

"2021 social action initiatives include collaborations with the Itaka Foundation, the Food Bank, the Red Cross, DYA, and Unicef"

9.3 Social action and philanthropy

Within the scope of social action, Nortegas seeks the active involvement of its professionals, in order to achieve the triple benefit of contributing to the social good, promoting the pride of belonging of its professionals, and improving the perception of the company among its stakeholders.

For this reason, Nortegas professionals are involved, in one way or another, in the philanthropy initiatives promoted by the company. 81 professionals (almost 40% of the workforce) take part in one of the company's six social action and philanthropy initiatives.

Nortegas has the following priorities:

• Contribute to the development of the labour supply for the gas sector: Nortegas requires very specific professional profiles and a high level of expert knowledge that, at times, is difficult to find in the market. For this reason, the company intends to become an active agent for promoting knowledge of the gas sector between university degrees and vocational training. In 2021, Nortegas continued to collaborate with different universities and training centres through a dual training program. Thanks to this programme, 14 students were able to work in the company and gain in-depth knowledge of the sector.

• Support for groups at risk of exclusion, with a special focus on children:

- Red Cross solidarity toy donation: donation of money for the purchase of toys at Christmas, intended for children in poverty.

- Vaccine donation to UNICEF: Nortegas covered the cost of the donated vaccines for the professionals whose children participated in the Christmas drawing contest. In its third year, this initiative has managed to reach 3,500 children in the third world.

- Donation to food banks: 52.5 tons of food donated to support families at risk of exclusion due to the COVID-19 crisis.

- Collaboration with Caritas: during the Nortegas strategic days, collaboration initiatives were carried out with the organisation.

• The collaboration initiative with the Itaka Foundation should be highlighted, which combines the labour market integration of groups at risk of exclusion and the development of the sector's labour supply. The company will finance the "labour market integration pathway for domestic heating maintenance personnel aimed at young immigrants", from which 15 young immigrants over the age of 18 will benefit under the Itaka-Escolapios Foundation. The programme, which was launched on 24 January and will end on 31 July 2022, aims to create equal opportunities for young immigrants by designing a training and employment pathway to equip them as domestic heating maintenance personnel. In this way, Nortegas helps strengthen its social commitment by supporting the associative network of companies in the third sector of the regions in which it operates.

In addition, within the framework of the protection of the most vulnerable groups, Nortegas has signed institutional agreements with the municipalities of Avilés, Corvera, Gijón, Santander and Bilbao as well as with housing management organisations in Asturias (VIPASA) and Cantabria (GESVICAN) that will provide natural gas heating systems to about 4,000 subsidised homes.

THE SOCIAL CALLING OF NORTEGAS DURING THE HEALTH CRISIS

Additionally, Nortegas has helped health entities and vulnerable groups and has given financial support to suppliers and clients.

As an example, in early 2021, Nortegas donated 25,000 pairs of gloves and a defibrillator to DYA (non-profit health organisation).

The company wants to help entities that carry out essential work -residences for the elderly, social centres, health organisations, etc.- and to the most exposed groups to the health crisis, such as people dependent on others and families in vulnerable situations. As a result, it has made payments of its LPG bills more flexible and has streamlined the urgent hook-up of supplies to hospitals and food banks in the areas in which it operates. In addition, it has created the internal ambassador figure, in charge of identifying support opportunities within the social action of volunteering.

On the other hand, Nortegas has undertaken different initiatives to alleviate the economic impact of the crisis on the businesses of the surrounding areas. Thus, it has advanced the payment terms established with 625 suppliers with which it works on a regular basis and has launched an aid plan for the installation companies with which it collaborates -an advance of 75% of the payments of partially completed installations, application and expansion of aid to maintain the employment of salespeople, and immediate and advanced payment of invoices-.

SOCIAL ACTION AND PHILANTHROPY

	2020	2021
Number of social action and philanthropy initiatives	6	8
Amount of donations made by Nortegas	67,200	72,000
Amount of employee donations made by Nortegas in company initiatives	3,700	2,040
No. of professionals participating in the company's initiatives	118	81

9.4 Institutional relations

"Nortegas seeks to use its visibility as a benchmark for the energy sector to promote the sustainable transition and decarbonisation through gas networks"

Nortegas has an active position in the gas sector and is part of the main sector associations in the energy field. It is part of Sedigas, where it participates both in the distribution committee and in the transversal committees of mobility, renewable gas, building, environment, tax and legal, as well as being part of the governing bodies. Nortegas is also a partner of Gasnam, an association that promotes the use of natural and renewable gas in mobility, both land and sea, in the Iberian Peninsula. All the interest groups in the value chain participate in said association, including vehicle manufacturers and suppliers of loading and supply points of natural gas. In turn, Nortegas has joined other associations related to the development of renewable gases, such as the Spanish H_2 Association, the Basque Country Energy Cluster -which is developing a specific working group related to H_2- the H_2 Bureau in Asturias, FAEN (Energy Foundation of Asturias), and AEBIG (Spanish Biogas Association).

At an international level, Nortegas is a member of the Eurogas Distribution Committee on behalf of Sedigas, as well as different committees of The European Gas Research Group (GERG) and the International Gas Union (IGU). It is also present in the R4H2 (Ready for Hydrogen) initiative and the European Clean Hydrogen Alliance (ECH2A).

With the purpose of accompanying and participating in a proactive and collaborative way in regulatory developments with an impact on the gas system and on the company's activity, Nortegas is an active agent in the interrelation with the Ministry for Ecological Transition, the Autonomous Communities and the National Markets and Competition Commission (CNMC). It represents the activity of natural gas distribution in regulated bodies for the analysis, discussion and preparation of regulatory proposals, such as the working group for the updating, review and modification of the operational standards of the gas system, the CNMC working group for the change of marketer, and

the Sub-Directorate General for Hydrocarbons for the development of biomethane injection into the natural gas network. The company seeks to reach its stakeholders through new working groups and establish new alliances with the aim of developing R&D projects.

Nortegas' strategy in this section is based on increasing its participation in workshops and sector presentations. The acceleration of the energy transition as a result of recovery funds and the geopolitical crisis has pushed the importance of renewable gases and the distribution network to new limits. In addition, the characteristics of the energy sector at national level give it the opportunity to become a European hub for generating and distributing renewable gases, which further elevates the importance of the work of Nortegas.

As part of this, the company seeks to reach its stakeholders through new working groups and establish new alliances with the aim of developing R&D projects. At regulatory level, the long-term strategy focuses on creating the right conditions for society to benefit from the excellent gas infrastructure developed in Spain and maximise its potential. Among the necessary regulatory initiatives, a roadmap is being promoted for the inclusion of biomethane, hydrogen and other gases of renewable origin in the energy mix, as well as the regulatory development that allows investments in digitization for, among other purposes, universalizing the use of smart meters on a global scale in distribution networks.

9.5 Tax contribution

The activity of Nortegas has a direct impact on the Spanish tax system. Thanks to Nortegas, the tax system was able to collect over 18 million euros in 2021.

Apart from the direct contribution, the activity of Nortegas generates an indirect contribution to the public coffers through supplier purchases, which has a pull effect on the economy as a whole along the entire value chain.

9.6 Relationship with stakeholders

"For Nortegas, dialogue with stakeholders is key to understanding local needs and guiding long-term value strategy"

Nortegas is convinced that all actions aimed at generating local wealth have a positive impact on the long-term value of its infrastructures. For this, the company considers it essential to establish channels of dialogue with local communities in order to identify possible impacts, meet the expectations of stakeholders and define the response measures that best suit the needs and desires of the population, as well as business targets. Only through this approach of an open relationship with communities and the creation of sustainable and shared value, can the company obtain the social license to operate necessary to legitimize its activity in the eyes of the stakeholders with whom it interacts.

COMPLAINTS AND COMMUNICATIONS

	2019	2020	2021
Number of complaints and communications received from stakeholders	1	0	1

Among the most outstanding stakeholder relations initiatives of Nortegas, it is worth highlighting:

- Meetings with regulatory groups to identify stakeholder needs.
- Internal group sessions in Nortegas to detect the needs of potential users and communities.
- Permanent and fluid contact with other agents of the energy market to identify incidents in the service or with the community.

10.

Financial performance

SUSTAINABLE FINANCE

Nortegas has even implemented sustainability in its financial strategy. An example of this are the commitments acquired in its sustainable financing framework, which includes strategic ESG targets. To this end, Nortegas obtained a sustainable loan of €10 million in 2021 for Nortegas Green Energy Solutions, and has been working on making its Nortegas Energy Group RCF sustainable, which has been formalised in 2022.

The ESG targets of this second sustainable loan have increased the company's climate ambition, and have conveyed its holistic vision of sustainability to its financial performance with the inclusion of social and good governance targets.

Nortegas performance will be audited by an independent third party and will influence the interest rate of the loan.

ESG TARGETS

Aspect	Description	Target
E(Environmental)	**Absolute reduction of scope 1+2 emissions** compared to the 2018-2020 average	• 2021: 5,476 tCO_2e (17% reduction) • 2022: 5,202 tCO_2e (5% annual reduction, 21% aggregate reduction) • 2023: 4,942 tCO_2e (5% annual reduction, 25% aggregate reduction) • 2024: 4,695 tCO_2e (5% annual reduction, 29% aggregate reduction)
S(Social)	**Health and safety excellence** through the combined frequency and severity rate (CFSR).	• Three-year average of the CFSR below the three-year average of a series of peers in the sector.
G(Governance)	**ESG training for company management***	• Rate of ESG training to Nortegas management of at least 90% in 2021, 95% in 2022, and 100% as of 2023.

* Includes the Board of Directors.

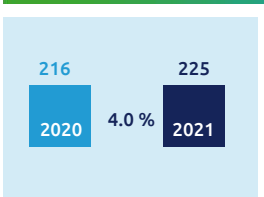
2021 RESULTS

The financial information included in this report corresponds to the consolidated accounts of NORTEGAS ENERGÍA DISTRIBUCIÓN, S.A.U.

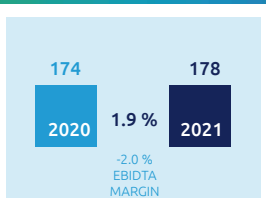
SUMMARY INCOME STATEMENT (€ MILLION)

	2020	2021
Revenues	**216**	**225**
Supplies	-17	-21
Self-constructed assets	7	7
Net operating expenses	-33	-33
EBITDA	**174**	**178**
Margin	80.5%	78.9%
Amortisation Expenses	-84	-84
EBIT	**90**	**93**
Margin	41.5%	41.3%
Net financial expenses	-37	-28
Profit before income tax	**53**	**65**
Income Tax	-11	-14
Profit for the year	**41**	**51**

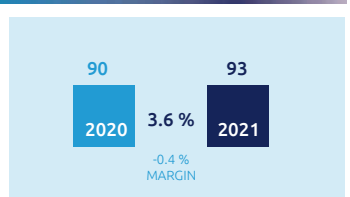
REVENUES



EBITDA (MARGIN)



EBIT (MARGIN)



- Revenue in 2021 is higher than in 2020 mainly because of the increase in activity after covid-19.

- Net financial expenses are lower in 2021 than in 2020 due to one-off costs related to the repurchase of bond: EUR 8,5M in 2021 due to the the repurchase of 2022 maturing bonds in the amount of EUR 407,4M and EUR 16,6M in 2021 due to the repurchase of 2027 maturing bonds in the amount of EUR 175.

NORTEGAS CONSOLIDATED BALANCE SHEET (€ MILLION)

	2020	2021
Property, plant and equipment	972	949
Goodwill	46	46
Other intangible assets	1,449	1,423
Right-of-use assets	2	2
Other non-current financial assets	1	1
Deferred tax assets	9	4
Total non-current assets	**2,479**	**2,425**
Other current assets	23	29
Cash and cash equivalents	127	164
Total current assets	**149**	**193**
Total assets	**2,629**	**2,618**
Total equity	**1,132**	**1,021**
Financial liabilities from issuing bonds	1,121	1,120
Leases	2	1
Other non-current financial liabilities	2	2
Other non-current liabilities	13	15
Deferred tax liabilities	277	270
Total non-current liabilities	**1,414**	**1,409**
Current financial liabilities	5	151
Leases	1	0
Debt with group companies and associates	1	5
Other current financial liabilities	76	31
Total current liabilities	**82**	**188**
Total equity and liabilities	**2,629**	**2,618**

- The Group issued bonds maturing in 2031 for an amount of EUR 550M.

- The Group made a bond repurchase which was due in 2022 for an amount of EUR 407,4M.

- Cash on balance sheet at 2021 year-end amounted to EUR 164M.

- The equity at year end 2021 amounted to EUR 1,021M.

- Net debt at the end of 2021 amounted to EUR 1,116M.

- Financial policy driven by shareholders' commitment to maintaining investment grade credit rating.

CASH FLOW STATEMENT SUMMARY (€ MILLION)

	2020	2021
EBITDA	174	178
Corporate Tax payments	-18	-14
Change in Current Assets & Liabilities & Others	4	-49
CAPEX	-28	-35
Interest payments (*)	-20	-15
Cashflow from operating and investment activities	**112**	**66**
Cash Generation (EBITDA-CAPEX)	**142**	**132**
Cash conversion	83.8%	80.3%

(*) Interest payments do not include one-off costs related to the repurchase and issue of bonds in 2021 for an amount of EUR 10,1M and the repurchase of bonds in 2020 for an amout of EUR 15,7M.

- CAPEX mainly include:

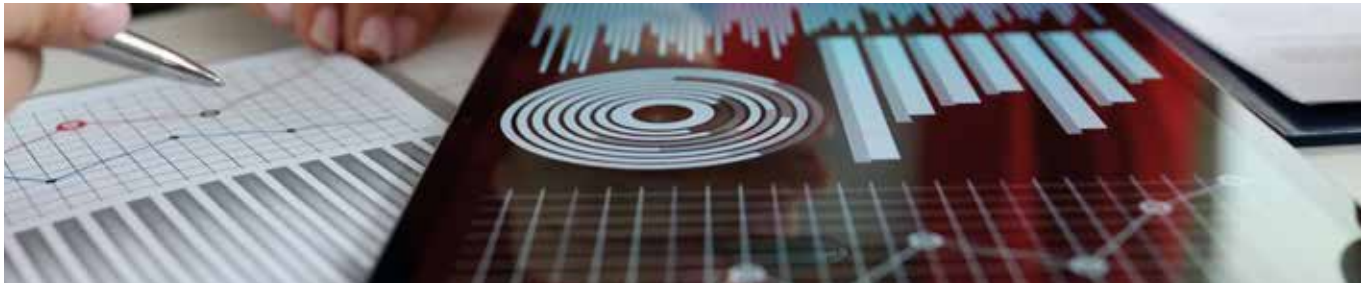
  - Investments to further develop the expansion of natural gas and LPG supply points.

  - Maintenance investments related to network replacement work as part of the maintenance programme.

  - IT investment.

- Interest payments include mainly bond interests. (mainly bonds, and bank and institutional debt).

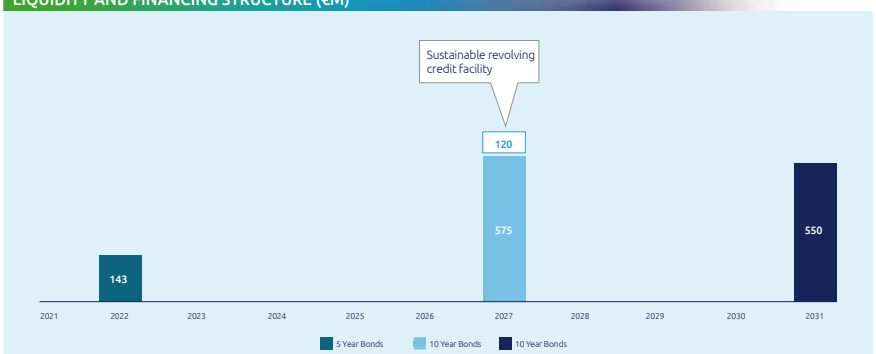
- Strong cash generation: EBITDA - CAPEX of EUR 143M and high cash conversion (80%) with room for CAPEX increase.



LIQUIDITY POSITION

Instrument	Available (€M)	Drawn (€M)	Coupon
2022 bond		143	0.918%
2027 bond		575	2.065%
2031 bond		550	0.905%
Sustainable revolving credit facility (depending on use)	120		Eur+0.75%
Cash on balance sheet	164		
Total	**284**	**1,268**	

LIQUIDITY AND FINANCING STRUCTURE (€M)



- Financial policy of shareholders committed to Nortegas' investment grade credit rating.

- In January 2021, the Group issued bonds in the amount of EUR 550M with an annual interest rate of 0.905% and maturity in January 2031.

- The Group made a repurchase of bonds in January 2021 in the amount of EUR 407.4M. Bonds were due in 2022.

- In January 2021 the Group refinanced the credit facility. The limit has been increased from EUR 100M to EUR 120M, maturity has been extended to January 2025 with two 1 year optional extentions and it has been transferred from NED to NEG.

KEY DATA POINTS AS OF 31/12/2021

Net debt	1,116 EUR million
Credit rating S&P (*)	BBB- stable outlook (confirmed in December 2021)
Liquidity	284 EUR million
Average financial cost	1.37%

(*) On 17 December 2021, the rating agency S&P issued a new credit report on Nortegas Energía Distribución, S.A.U. as issuer of the bond programme, maintaining the investment grade rating of BBB- with a stable outlook. A bbb- rating has also been issued for the group to which it belongs (the parent of which is Nature Investments, S.a.r.l.) and bbb for Nortegas Energía Distribución, S.A.U. and subsidiaries.

11.

About this Report

The information presented includes all the Nortegas Energía Grupo, S.L.U. companies, except in cases in which the contrary may be indicated, and refers to the period between 1 January 2021 and 31 December 2021.

This report has been prepared according to the following standards:

- Integrated Reporting Council (IIRC) Integrated Reporting Framework IR.

- GRI standards, according to issues identified as materials by Nortegas.

- Preliminary drafts of the European Financial Reporting Advisory Group (EFRAG) under the CSRD directive.

MATERIALITY ANALYSIS ELABORATION PROCESS

To conduct the materiality analysis, the results of which are presented in chapter 3 of this Report, Nortegas carried out the following process in 2020:

1. Identification of potentially relevant issues: the following sources of information were used for this purpose:

- Reporting standards: Law 11/2018 of Spain on non-financial information and diversity, sustainability Reporting Standards of the Global Reporting Initiative (GRI), and the materiality map of the Sustainability Accounting Standard Board (SASB).

- ESG analysts and investors: SAM (S&P), GRESB, IFF and Swiss Life.

- Competitors in the Spanish market: Naturgy and Redexis.

2. External prioritization according to ESG reporting standards and investment analysts:

- Reporting standards: GRI "Sustainability Topics for Sectors" publication was used to identify issues that are particularly relevant to the Gas utilities sector and issues identified as SASB-relevant to the Oil&Gas midstream sector.

- ESG Investment Analysts: The weights granted for each of the evaluation criteria used by SAM (S&P) for the "Gas utilities" sector, and GRESB, were used.

3. Internal prioritisation from consultations with managers: through a direct questionnaire, questions were asked about the Nortegas executives' perception about different dimensions of the possible relevance of each issue previously identified. The consultation was sent to 13 directors, who were elected with the aim of constituting a representative sample of the company's activities. This consultation was an update from the one made in the previous fiscal year.

4. Elaboration of the materiality matrix: prioritisation was presented on a double-entry chart with two axes: decision, and impact or risk. This representation is aligned with the requirements defined by GRI and also serves to meet the requirements of Law 11/2018, which establishes a risk approach to determine the relevance of cases. The following criterion was used to assess the relevance of the different issues according to these two axes:

- Decision: The relevance analyses of the issues of GRI's reporting standards ("Sustainability Topics for Sectors" and SASB's "Materiality Map") were used as proxies, reflecting what all stakeholders need to know, as well as directors' opinions on how different issues influence stakeholders in establishing a relationship with the company.

- Risk: The weights given to each of the issues by the main ESG analysts (SAM and GRESB), illustrating the sector's main critical issues, as well as the directors' opinions regarding the impact of the company on the community in which it operates were used as proxies.

5. Identification of indicators: Finally, for each of the material issues, Nortegas identified the information requirements and indicators requested by the main reporting standards and ESG analysts.

Therefore, the materiality matrix reflects the interest groups' views on the relevance of company matters. In 2021, it was seen that the materiality analysis conducted remains valid and that, in any case, recent events have increased the importance of certain material matters already detected in the 2020 analysis.

GLOSSARY

AOT: Average operation time.

BDG: Better, Digital and Green.

CDW: Construction and demolition waste.

CEE: Special employment centres.

CNG: Compressed natural gas.

CNMC: National Markets and Competition Commission.

CSRD: Corporate Sustainability Reporting Directive.

EBITDA: Earnings before interest, taxes, depreciation and amortisation.

EC: European Commission.

ERM: Regulation and measurement stations.

ESG Criteria: Environmental, Social and Governance Criteria.

European Union Green Deal: The European Green Pact is the European Commission's roadmap for providing the EU with a sustainable economy.

GCC: General contracting conditions.

GHG: Green-house gases.

GRI: Global Reporting Initiative.

GWh: Gigawatt-hour.

IPCC: Intergovernmental Panel on Climate Change.

ISO: International Standards Organisation.

LNG: Liquefied natural gas.

LPG: Liquefied petroleum gas.

OPS: Preventive safety observations.

EHRA: Strategic Project for Economic Recovery and Transformation for Renewable Energies, Renewable Hydrogen and Storage.

PNIEC: National Integrated Energy and Climate Plan.

PPA: Power Purchase Agreement.

PRTR: Recovery, Transformation and Resilience Plan.

RePower EU: Joint European action of the European Commission for more affordable, secure and sustainable energy.

Scope 1 emissions: Emissions produced directly by the emitter.

Scope 2 emissions: Emissions produced indirectly through electricity consumed and purchased.

Scope 3 emissions: Indirect emissions caused by other agents in the value chain that the emitter cannot control.

SDGs: United Nations Sustainable Development Goals.

TCFD: Task Force on Climate-Related Financial Disclosures.

tCO_2e: Equivalent tons of CO_2.

TCR index: Service quality indicator calculated as outage duration times the number of affected supply points divided by the total number of supply points.

VNG: Vehicular natural gas.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