

ANNUAL REPORT 2023





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1_Message from the Chairman and CEO

Letter from the Chairman, Iñaki Alzaga



Another year, the financial year 2023, has brought us significant challenges both for Nortegas and for our sector as a whole, but also, at the same time, opportunities that we have seized to strengthen our commitment to sustainability and innovation. This report reflects how, even in such a challenging environment, we continue to make progress in our mission to lead the energy transition.

“We continue to transform challenges into opportunities to lead the transition to a more sustainable and efficient energy system.”

During the year, we have witnessed a decrease in natural gas prices, although persistent volatility at European level has continued to influence the economic, political and social stability of the continent. In addition, 2023 was the hottest year on record. This situation has led to a lower domestic demand for energy, although natural gas continues to be essential for Spanish households. Its cost efficiency and lower environmental impact keep it as the preferred option for meeting heating and comfort needs in the home.

“Gas infrastructures are not only fundamental for the energy present, but also essential building blocks for a sustainable future.”

This year also marked an important step forward in the consolidation of biomethane and green hydrogen as key sources of renewable energy in the country, essential for an efficient and realistic decarbonisation of the current demand for natural gas. The relevance of biomethane has been strengthened not only by its capacity to reduce dependence on energy imports, but also as a technically and economically viable solution, which solves current problems of society around the management of organic waste, allowing its energetic valorisation.

Europe’s commitment to renewable hydrogen has also been reinforced in 2023, as one of the main vectors for decarbonising current European natural gas demand. Here, Spain has enormous

potential if we are able not only to take advantage of the country's resources to turn them into an export opportunity, but also, at the same time, to decarbonise national demand, favouring the competitiveness of our industries. In this sense, the projects and collaborations we are carrying out in the field of renewable gases are transforming the way we understand, position and use our existing energy infrastructure with a view to the future.

In terms of regulatory development, 2023 has been marked by the culmination of several legislative initiatives that reinforce and clarify the structural and market framework for natural gas, biomethane and hydrogen in Europe. At the national level, the transposition of these regulations into Spanish law and their incorporation into the revision of the Integrated National Energy and Climate Plan (PNIEC) will be key to the effective integration of renewable gases into our country's energy strategy. These regulatory advances are fundamental for the implementation of

our long-term strategy and for making decisions on future investment in renewable gases in the group.

.....
“Our distribution network not only ensures continuity of supply today, it also paves the way for a renewable energy future.”
.....

The vision of transforming our business, which we have been implementing in recent years, has led us to reach a considerable level of maturity in 2023, enabling the materialisation of several key strategic milestones for Nortegas. At the operational level, these include the creation of the new, independent biomethane business unit, with more than 40 production initiatives for this renewable gas, as well as the start of grid injection

of the Biolvegas plant. In relation to green hydrogen, at Nortegas we have built the first hydro duct in Spain with a commissioning certificate and we continue to be a benchmark in demonstrating the viability of blending H2 in the current gas network, thanks to the H2 SAREA project.

.....
“Our strategic pillars are guiding us towards a comprehensive and sustained transformation of the energy sector.”
.....

Our strategic vision for the coming years is based on four essential pillars that guide all our actions and decisions: decarbonisation, to offer solutions based on renewable gases to our customers and thus contribute to a cleaner world; digitisation, which allows us to optimise our processes and improve our interaction with our customers, as well as provide benefits to them; sustained growth, aimed at expanding our presence and service

capacity in new markets; and sustainability, ensuring that every step we take contributes positively to the well-being of communities and the environment. These pillars not only reflect our long-term goals, but also represent our unwavering commitment to the future.

“At Nortegas, we integrate sustainability into all our decisions, thus ensuring the creation of a positive and lasting legacy.”

ties that the future presents. Together, we continue to move towards a more sustainable and resilient economy, generating continuous value for our shareholders, partners, customers, professionals and society as a whole.

Looking ahead to the coming years, Nortegas is uniquely positioned to lead the energy sector through a solid model that offers realistic and efficient solutions to the market and the country's macro energy policy objectives.

I am deeply grateful for the trust and commitment of the entire Nortegas team who, with their dedication and effort, make it possible for us to face today's challenges and seize the opportuni-

Letter from the CEO, Javier Contreras



I would like to begin by expressing my deep appreciation to each and every Nortegas professional for their dedication and commitment during a particularly challenging period for the energy industry. In recent years, we have witnessed significant changes in the global economic landscape that have profoundly impacted our sector. However, the company has again demonstrated its perseverance and determination in meeting these challenges, establishing itself as a key player in its areas of operation and pla-

ying a pivotal role in the energy transition through its innovative approach.

“2023 has been a year marked by volatile gas prices and extreme weather conditions, but also by significant progress on realistic solutions and regulation”.

Reflecting on the year 2023, the impact on our environment of the high volatility in energy prices resulting from the recent geopolitical conflicts is evident. This situation has had a direct effect on industrial demand for natural gas, with significant reductions in distributed volumes that began to occur in 2022 and have continued this year. Likewise, 2023 has been one of the warmest years on record to date, which together with the price volatility observed in the last two years, has significantly reduced the volumes of gas distributed to meet domestic demand. Despite this, natural gas has maintained its position as an essential energy source for families in Spain,

offering an affordable and comfortable alternative that continues to decarbonise compared to other alternative sources that we continue to replace year after year. This context has highlighted the strategic importance of natural gas and the country’s gas system as a reliable, resilient and sustainable energy resource.

“European regulation supports renewable gases as a key part of the decarbonisation strategy”.

In the face of these challenges, the regulatory development towards the recognition of renewable gases as essential vectors in the energy transition has supported the direction that Nortegas has been leading in the sector. European initiatives such as Fit for 55 and RePowerEU have reinforced the role that renewable gases will play as a realistic and efficient solution in the decarbonisation of the energy system. In response, we have reinforced our corporate energy transition stra-

tegy and commitment to biomethane and green hydrogen, to blending as a feasible solution and to networks for industrial valleys in the medium term, reaching a number of significant milestones this year.

Nortegas has managed to expand its gas distribution infrastructure this year, which now covers 8,509 kilometres and has 1,069,494 supply points, consolidating its position as the second largest gas operator in the domestic market. As a result, we have distributed a total of 22,926 GWh of energy to companies and households in the almost 400 municipalities where we operate, in the regions of the Basque Country, Cantabria and Asturias.

“The creation of the new biomethane unit has been a key step in our strategy to decarbonise the current demand for natural gas”.

The creation of an independent business line for biomethane 3 years ago, with a reinforced management and technical team, has boosted the development of the more than 40 biomethane production projects in our portfolio. In this regard, it should be noted that the Biolvegas plant, built last year, is already injecting 18 GWh of biomethane annually into the natural gas network. This is equivalent to the annual gas consumption of approximately 3,800 homes and an estimated reduction of 14,200 tonnes of CO₂ per year. During the year, construction plans for new biogas plants in León, Toledo and Valladolid, among others, have also been publicly presented, marking a significant advance in the deployment of this sustainable resource in Spain.

We have also made progress in the development of our second major commitment, renewable hydrogen, collaborating in various key initiatives and projects. An example of this is our role as leaders of the transport and distribution vertical of the Basque Hydrogen Corridor (BH₂C) for the development of renewable hydrogen in the Basque Country, and our active participation in the

Recode project, an initiative that brings together green hydrogen projects in the Principality of Asturias.

“The hydrogen projects position Nortegas as a leader in the development of infrastructures for the distribution of renewable gases”.

As part of the BH₂C initiative, the H₂ SAREA project has concluded after three years of research, confirming that existing gas infrastructures are compatible with hydrogen distribution in 5%, 10%, 15% and 20% blends. The conclusions of the study indicate that the injection of 20% hydrogen by volume into the existing distribution network is fully compatible with natural gas. Thus blending 20% green H₂ into the country's distribution network could decrease, for example, the

CO2 emissions of 40-50% of the national demand for natural gas for domestic use. The blending of H2 in the natural gas distribution network would also facilitate investment decisions for green H2 production projects by facilitating the distribution of this renewable fuel, thereby stimulating demand for it. It would ultimately be a facilitator of decarbonisation and the launch of the renewable H2 economy for the country.

In a complementary manner, we have launched projects such as H₂ INTEGRA, H₂ BIDEA and H₂ EAT, which are part of this ongoing search for innovative solutions and technologies that promote the efficient and safe use of hydrogen, to provide experience and certainty as to how we have to tackle the challenge of decarbonising the current demand for natural gas. It should also be highlighted the construction of the first hydro duct to receive the commissioning certificate in Spain, with a route of almost two kilometres between Petronor's refinery in Muskiz and the Abanto Technology Park, as an example of the company's driving role in the development of future indus-

trial hydrogen valleys, taking advantage of the company's synergies and knowledge of natural gas, and highlighting the role that the hydrogen distributor will play in this new economy.

Over the course of this year, we have also collaborated with several suppliers in the research and development of smart meters to accelerate the adaptation that the sector has ahead of it to these new devices, in compliance with upcoming regulation. We have currently implemented these devices in Alonsotegi and Ugao-Miraballes, taking advantage of the experience gained in these pilots to prepare for the mass installation of these devices in our current customer base in the coming years.

.....
“Nortegas integrates all dimensions of sustainability into its culture and operations to ensure a long-term sustainable transition”.
.....

On the environmental dimension, in 2023, we made significant progress in reducing our greenhouse gas emissions. Our effective leakage monitoring and control actions have enabled a reduction of the scope 1 and 2 footprint by almost 50% since 2019, exceeding the targets set by institutions such as Science Based Targets and One Earth Climate Model. In addition, we have registered our carbon footprint, certified to ISO 14064:2019, with the Spanish Climate Change Office for the second consecutive year.

On the social front, we have further strengthened our safety culture. Thanks to our ongoing commitment to the health and safety of our professionals, Nortegas has maintained the exceptional track record of zero accidents in its operations, recognised with the Annual COASHIQ Safety Management Awards. On the other hand, we have deepened our involvement with social welfare, highlighting the significant advances in our corporate volunteering programme, the adoption of new measures to promote family reconciliation and the renewal of the family-friendly company certificate.

“Nortegas’ social strategy is a lever for action to generate a more cohesive and inclusive organisation”.

Committed to diversity of talent and equal treatment, Nortegas signed the Diversity Charter in Spain this year. We have also continued to play an active role in the recruitment of people with disabilities and have driven our strategy around the sense of belonging through the Diversity, Equity and Inclusion Plan. In addition, we have initiated a rigorous due diligence process to address any potential human rights risks.

Once again, Nortegas’ excellent performance in incorporating ESG criteria in its operations has been recognised externally by institutions such as GRESB. In relation to this ESG analyst, the company has obtained a score of 95 out of 100, reaching the maximum score of five stars.

“Our commitment to decarbonisation, digitisation, growth and sustainability will enable us to meet the challenges of the energy transition”.

The year 2023 has been a period of reflection and adaptation for Nortegas. Despite the low energy demand, the reduction of volumes distributed to our customers with the consequent negative impact on our results, we have maintained a solid financial position thanks to the control of operational efficiency, investing a total of 22.6 million euros to strengthen our energy transition strategy, which will facilitate the deployment of our biomethane and hydrogen projects in the coming years.

Looking ahead, we face the challenge of recovering industrial and domestic gas demand, offering, among others, alternatives based on renewable gases, biomethane and hydrogen, for efficient decarbonisation.

“In view of the growth prospects for renewable gases, we are committed to continue to realise our progress”.

We are convinced that digitisation, together with the biomethane and hydrogen projects we are developing, will provide real and efficient solutions to the challenges presented by the energy transition, improve our ability to adapt quickly to market changes and lead the transition to a more sustainable and diversified energy model. Thanks to the continued confidence of our shareholders and the clear focus of our corporate strategy, we are confident that the coming years will be fundamental to strengthening our sustainable project and continuing to provide value to our customers and society in general.



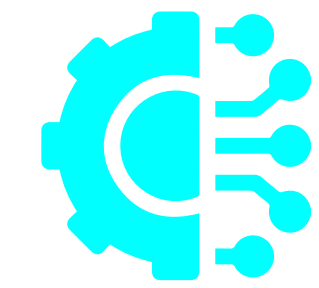
2_Key figures

ECONOMIC FIGURES 2023



Ordinary income (Distribution Business)	201.0 million euros
Investment realised (Distribution Business)	22.6 million euros
EBITDA	148 million euros
National market share	12 %
Investment in new businesses (Biomethane and hydrogen)	2.3 million euros
Credit rating (S&P)	BBB-

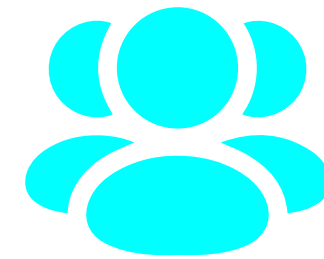
TECHNICAL FIGURES 2023



Supply points	1,069,494
Distributed energy	22.9 TWh
Network length Natural gas network LPG gas network	8,509 km 8,013 km 496 km
H2 green projects in development	>4
Biomethane projects in development	>40
Customer satisfaction (0-10)	8.0
Decrease in the number of emergency calls	6.8 %
TCR Index	1.84

2_Key Figures

SOCIAL FIGURES 2023



Workforce	252 professionals
Women in positions of responsibility	37 %
Fixed contracts	100 %
Equivalent percentage of employees with disabilities	7.5 %
Frequency rate (own employees and contractors)	0
Training per employee	30 hours
Training expenditure per employee	501 euros
Social impact programmes	256.5 hours spent

ENVIRONMENTAL FIGURES 2023

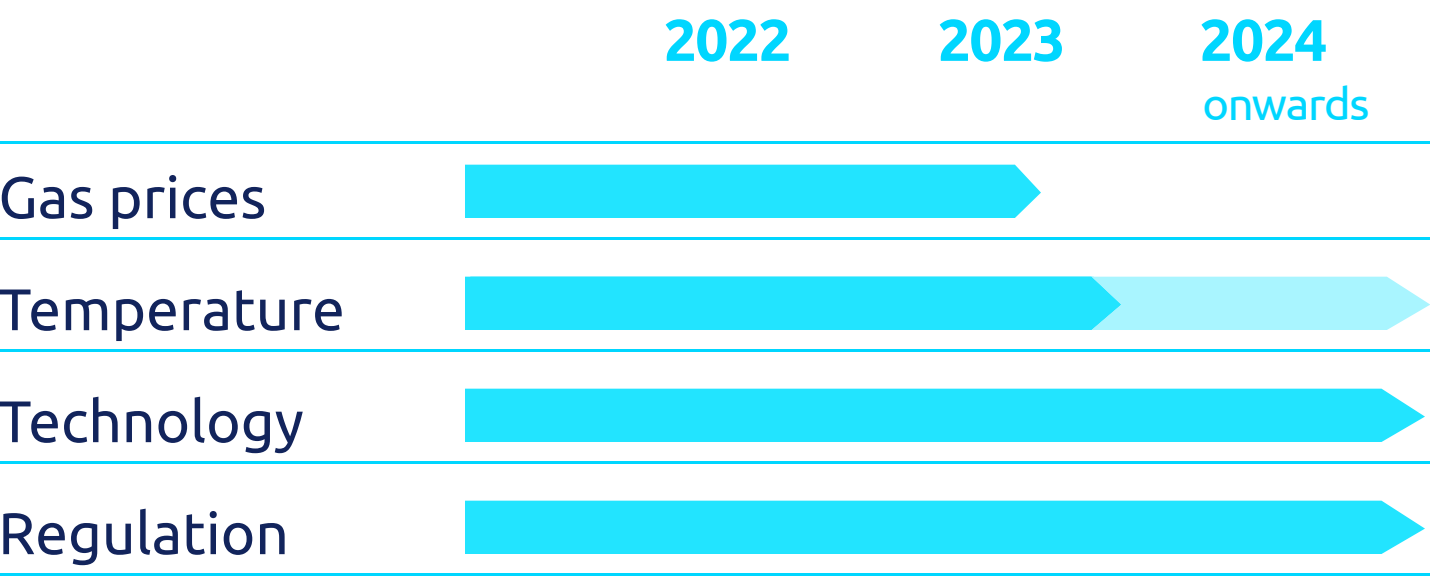


SCOPE 1 Emissions	4,685.8 tCO2e
SCOPE 2 Emissions	0.50 tCO2e
Total emissions (scopes 1, 2 and 3)	14,839.7 tCO2e
Energy consumption	2,413 MWh
Water consumption	2,077 m3
Waste generated	11,620 tonnes
Recovered waste	100 %



3_Market environment

Nortegas’ environment during 2023 has been characterised by four trends that have influenced the company’s evolution and strategy.



3.1. Demand developments

Gas prices

Although 2023 has seen a decline from the natural gas price levels seen in 2022, triggered by the war in Ukraine and its effect on global energy markets, **high price volatility in Europe** has persisted throughout the year, and remains a cause of **economic, political and social** instability on the continent.

As a consequence of the continued uncertainty in the energy markets, the Spanish government has deci-

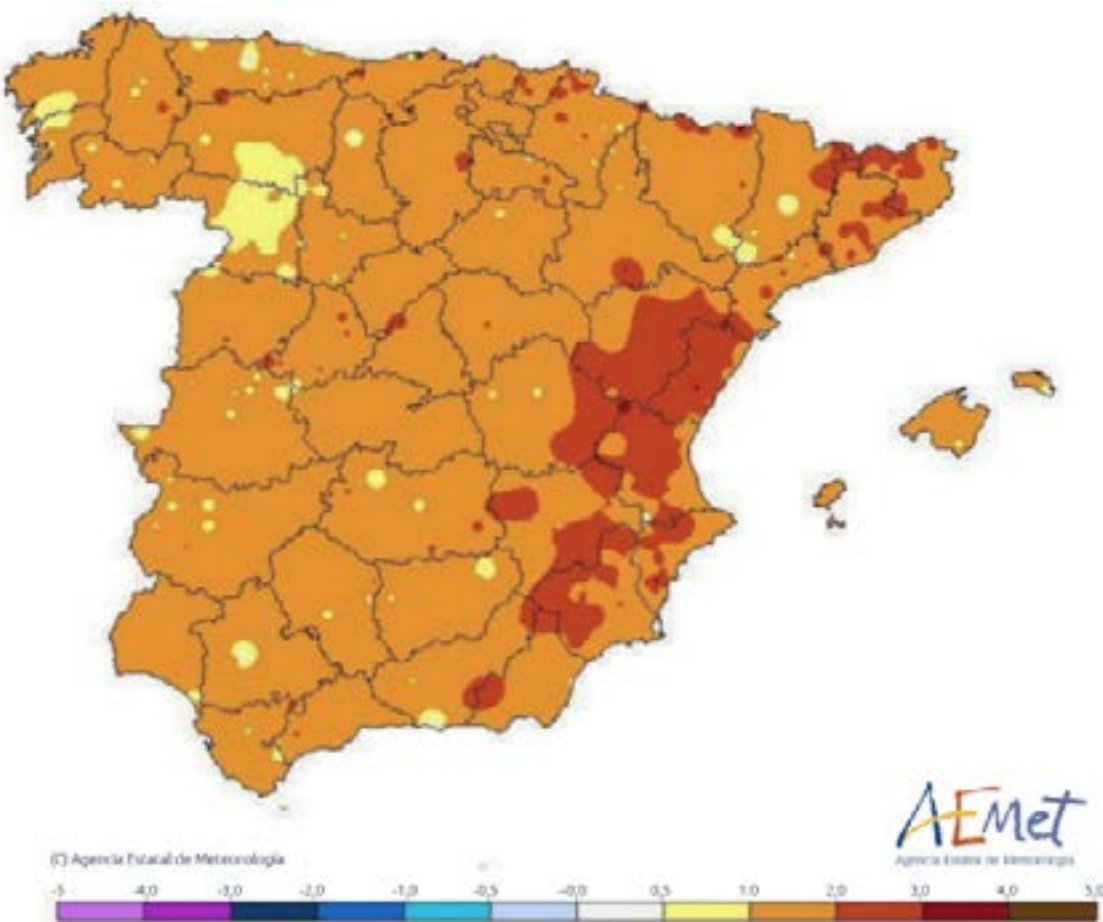
ded to extend twice during 2023, in June (**Royal Decree Law 5/2018**) and December (**Royal Decree Law 8/2023**), the different energy protection measures for the war in Ukraine, mainly aimed at households.

Temperatures

The year 2023 has been the hottest year on record, with temperatures even higher than the record set in 2022 globally. Beyond the possible effects of anthropogenic climate change, this may have been additionally driven by the El Niño phenomenon.

In Spain this has also translated into abnormally high temperatures. The average temperature in peninsular Spain has been +1.3°C above the 1991-2020 historical average throughout 2023, and has even recorded an anomaly of +1.9°C in the winter of 2023-2024. These above-average temperatures are expected to **extend into the spring of 2024**.

In the latest extension, which extends the protection measures until June 2024, the government maintains measures already included in Royal Decree Law (RDL) 6/2022, such as the prohibition on cutting off supply to vulnerable consumers, the limit on the growth of the regulated gas tariff (TUR), the existence of the specific TUR for residents’ associations, and the reduced taxation for natural gas used for heating, among other measures.



Source: AEMET.

This situation has led to weaker household energy demand than historical averages, even though the number of natural gas supply points has increased as of December 2023. In other words, natural gas continues to be a benchmark energy source for households in Spain due to its ability to provide affordable energy with a lower carbon footprint than other alternative sources, in a context of lower energy needs for household air conditioning.

3.2. Developments in the renewable gases market

2023 has been the year of consolidation of biomethane and hydrogen as key alternative sources for the decarbonisation of the energy system thanks to their production potential capable of responding to processes currently supported by natural gas, such as industry or heavy transport.

Decarbonization Potential of Renewable Gases

Conventional demand Spain: 225 Twh/year Domestic consumption: 35 TWh/year	
Biomethane Capacity	Green Hydrogen: Blending
163 TWh/year	Capacity Blending 20%: 15 TWh/year
+ Green Hydrogen: 100% To Decarbonize Industry	
Decarbonization Potential	
Biomethane could cover up to 75% of Spain's gas consumption	
Blending is equivalent to 40-50% of domestic demand	

Biomethane, a technological reality with a high potential for development in Spain

The last three years have seen an accelerated development of the biomethane sector on a global scale. Traditionally dominated by small generation companies, since 2021 it has received increasing at-

tention from large Oil&Gas companies as a tool to offer lower carbon footprint alternatives to their customers and industrial processes, as evidenced by merger and acquisition activity in the sector.

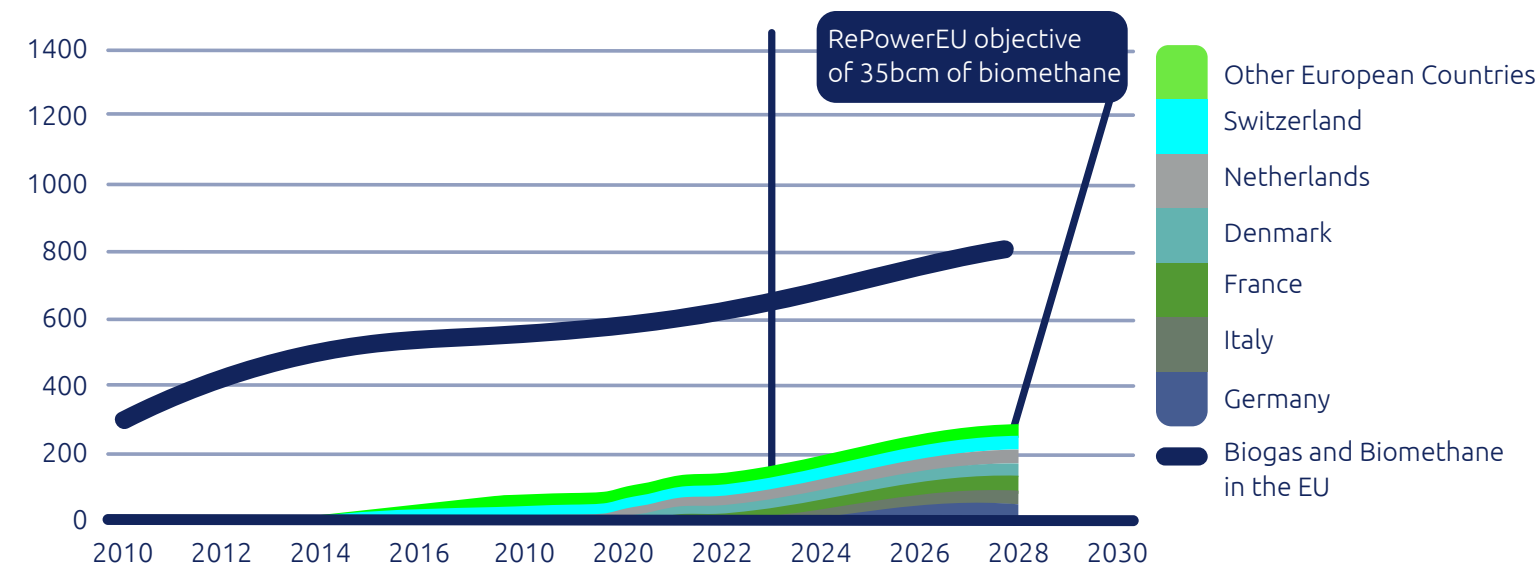
In the context of the war in Ukraine, biomethane is seen as a domestic energy source that can help reduce dependence on natural gas imports and secure energy supplies in many countries.

On the other hand, given the need to limit global warming to 1.5°C above the pre-industrial period, biomethane arguably has a ready-to-use technology that can accelerate decarbonisation in the short term. In other words, **energy transition strategies should consider biomethane as a major component.**

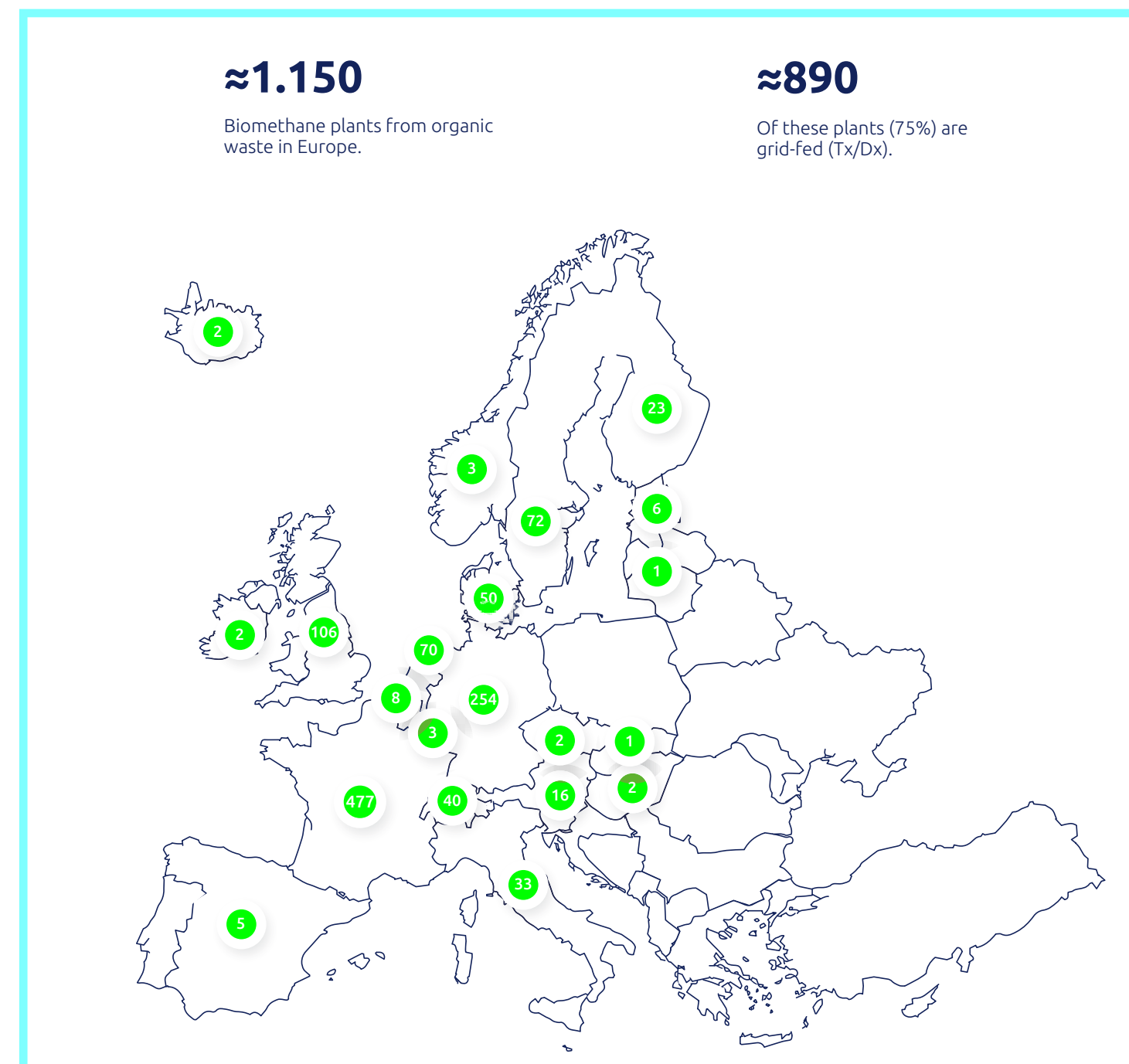
In Europe, the ambition of the Fit for 55 biomethane production target was doubled in 2022 to 35 million cubic metres by 2030. According to projections developed by the IEA, the EU is still far from being able to meet this target and accelerated growth is needed to achieve it.

3_ Market environment

Historical, projected and target biomethane production in the eu, 2010-2030



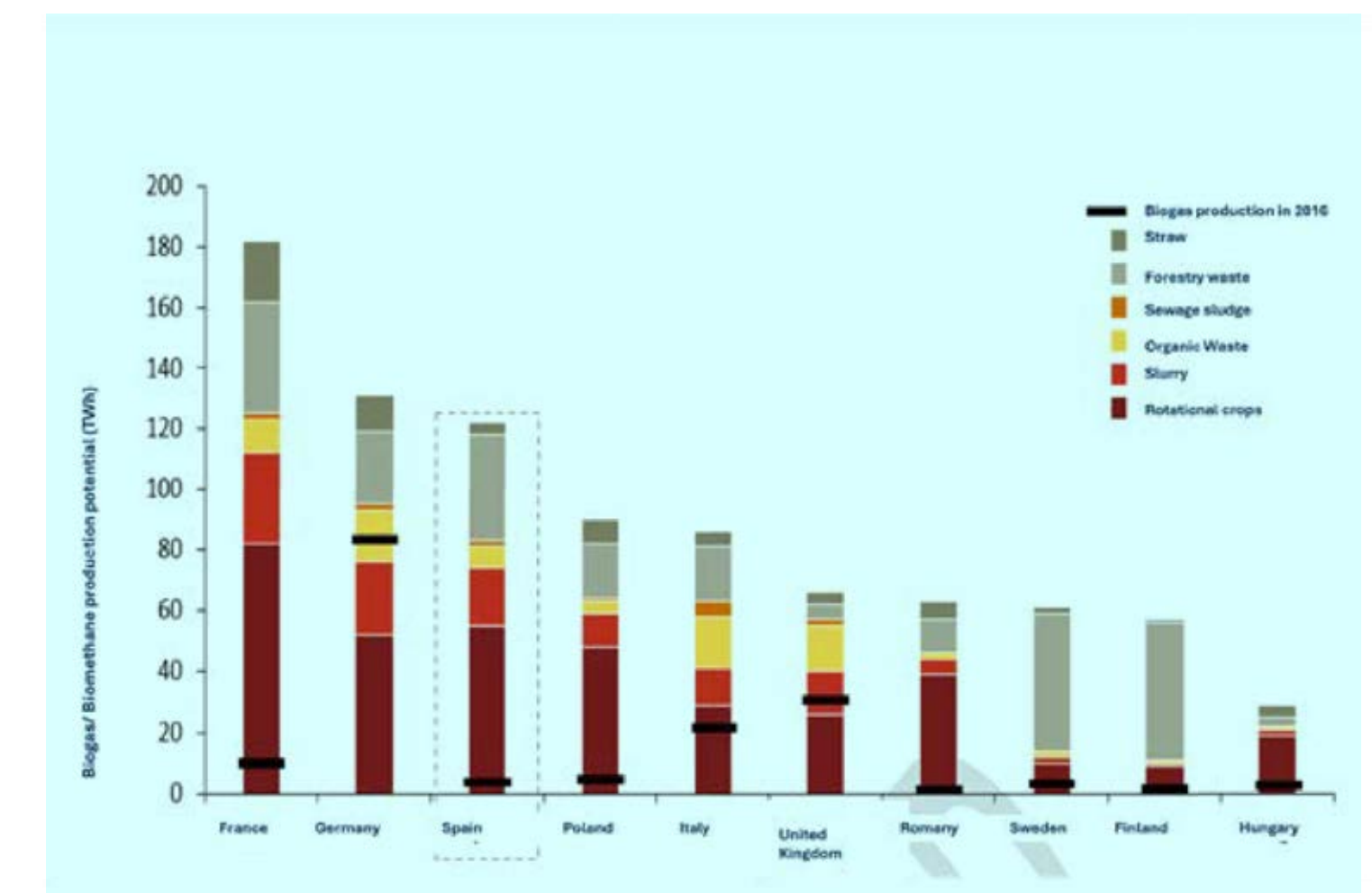
Within the EU, the situation is asymmetric, with some countries showing a high level of maturity of the industry, such as Denmark, which in November 2023 reached the milestone of biomethane accounting for 37.9% of what circulates in its gas networks, in contrast to countries such as Belgium, Poland or Spain, where it is in more initial stages.



Source: Own elaboration based on AEBIG data.

In Spain, **Sedigas has estimated a biomethane production capacity in the country of 163 TWh/year**, which would allow 45% of the national demand for natural gas to be covered, compared to the 0.1% currently covered. This places Spain as the third European country with the greatest potential for biomethane production.

According to the EC, Spain is the third country in Europe with the highest potential in 2050 with **122TWh/year**.



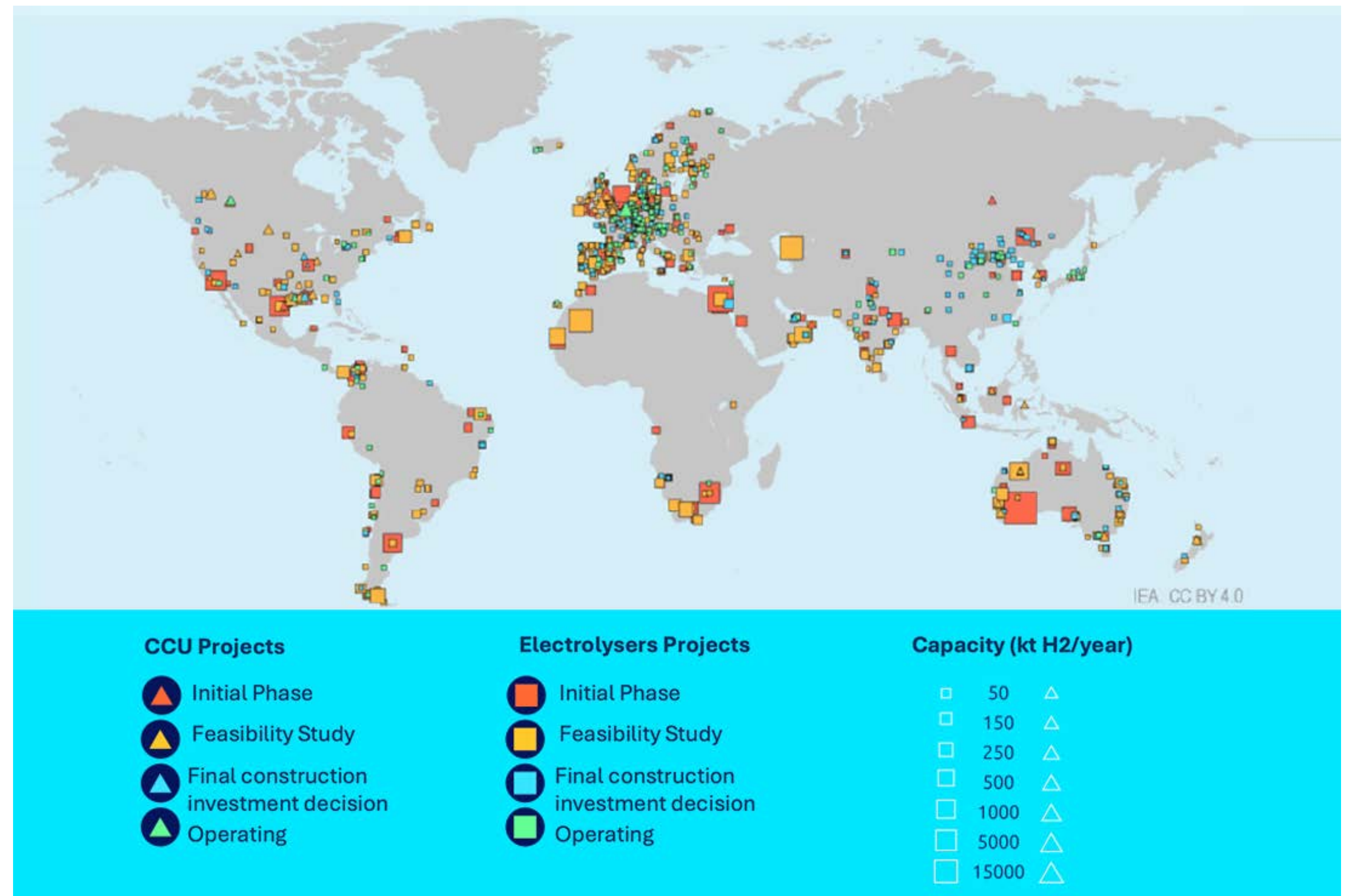
This enormous potential has meant that, over the last year, **biomethane production for injection into the gas grid has grown by 38% in the country**.

Cheaper electrolyzers mark hydrogen's economic viability

The cost of producing green hydrogen depends primarily on two factors: the cost of production using renewable electricity and the cost of developing electrolyzers. The rate of evolution of the learning curve and economies of scale of the technology will be key in determining at what point renewable H2 production becomes economically viable. **According to IRENA, this could start to become a reality in the second half of this decade in locations with favourable renewable resource conditions.**

In the last year, there has been a growth of more than 30% in the announcement of new low-emission hydrogen production projects for 2030, although many of them are still at very early stages (45% of them are reported to be at the feasibility study stage).

MAP OF ANNOUNCED LOW EMISSION HYDROGEN PRODUCTION PROJECTS



Source: IEA.



Thirty percent of the announced projects are in Europe, 55% of which are concentrated in Spain, Denmark, Germany and the Netherlands. In November 2023, the European Hydrogen Bank's first pilot auction (aimed at boosting low-emission hydrogen projects), **for 800 million in subsidies**, received **132 bids from 17 European countries**.

In a scenario compatible with limiting global warming to 1.5°C, green hydrogen would account for 94% of all hydrogen production and could offer a global energy production capacity of more than 60,000 PJ by 2050.

Green hydrogen is a key complement to biomethane for the decarbonisation of heavy industry, aviation, shipping, or seasonal energy storage.

3.3. Regulatory environment

At the European Union level, after the regulatory intensity of the 2019-2022 period marked by the regulatory developments foreseen by the climate agenda and those arising from the energy crisis, and with the elections scheduled for June 2024, the 2023 financial year has been marked by the closure of the initiatives started previously.

In this respect, the progress made in the framework of the objectives set by the **Fit for 55** and **RePowerEU** through:

- **The internal market rules for natural gas, renewable gases and hydrogen**, which are part of the **Gas Package**: the European Commission's proposal presented in December 2021, after a long delay in processing as a result of the invasion of Ukraine, reached a relevant milestone in December 2023,

when the Council and the European Parliament reached a provisional agreement to regulate the internal market for natural gas, renewable gases and hydrogen. Formal ratification by both institutions and publication in the OJEU is expected before the end of the first half of 2024. This initiative, consisting of a Directive and a Regulation, **lays the foundations for the creation of a dedicated infrastructure and market for hydrogen, with rules similar to those already in place for natural gas, providing an opportunity for existing gas operators to apply their knowledge and experience to the development of the new hydrogen network**. Among other measures relating to the hydrogen infrastructure, of note is the separation of the role of the Transmission System Operator (TSO) from that of the Distribution System Operator (DSO), the former being responsible for developing the hydrogen backbone network and its interconnections, **and the Distri-**

tribution System Operator for developing the supply network to end customers. Likewise, the EU Entity for Hydrogen Network Operators (ENNOH) is created as a separate entity from the European Network of Transmission System Operators for Gas (ENTSOG) and the European Network of Transmission System Operators for Electricity (ENTSOE), whose function will be to develop harmonised technical and operational standards to guarantee the efficient and safe operation of an interconnected hydrogen system. **With regard to the injection of hydrogen into the gas networks (blending), the Gas Package establishes a threshold exclusively for international connections** (admission up to 2%, for both connected countries), with **each Member State being responsible for defining the maximum percentage of hydrogen admitted into the gas network at national level.** With regard to biomethane, the Gas Package supports the production and penetration of sustainable biomethane, establishing measures to encourage its injection into the gas system (access criteria, coordination between operators to maximise injection capacity or discounts on tolls, among others).

- **The approval and entry into force of the Renewable Energy Directive (RED III):** with a period for its transposition into national regulation of 18 months (from the date of its entry into force of 20 November 2023), it establishes a target for renewable energy in the EU of 42.5% by 2030, but with the intention of being able to reach 45%. Targets are also set by sector:

- **Transport: Member States may choose between 14.5% GHG intensity reduction by renewable energy or at least a 29% share of renewable energy in final consumption.**

- **Industry: the target is to increase the use of renewable energy by 1.6% per year. Specifically, 42% of hydrogen should come from RFNBO (renewable fuels of non-biological origin) by 2030 and 60% by 2035.**

- **Building, heating and cooling: the target is at least 49% renewable energy in buildings by 2030.**

- **The adoption of the Delegated Acts to define standards for renewable liquid or gaseous fuels of non-biological origin (RFNBO)** in June 2023: establish the basis for a common definition of what can

be considered as a renewable liquid or gaseous fuel of non-biological origin and the methodology for the calculation of life cycle emissions, **relevant criteria for the consideration of renewable hydrogen when generated with electricity discharged from the grid, These include the principle of additionality** (installed renewable capacity must be additional to existing capacity from 2028 onwards), **time correlation between electricity and hydrogen produced** (monthly until 2030 and hourly from 2031 onwards) and **geographical correlation between the electricity installation and the production of H₂** (both installations in the same supply area).

- **The provisional agreement on the EU's first piece of legislation to reduce methane emissions on the continent and globally:** this regulation, expected to be formally adopted by Council and Parliament in the first half of 2024, will oblige the oil, gas and coal sectors to adequately measure, monitor, report and verify their methane emissions, as well as to take measures to reduce these emissions.

- **The Net-Zero Industry Act:** the European Commission's proposal of March 2023 establishes that at least 40% of the EU's annual deployment needs by 2030 should be based on net-zero technologies,

and sets a target of 50 million tonnes of CO storage capacity per year² by 2030. This can provide a significant boost for sustainable biogas and biomethane technologies, electrolyzers and fuel cells, among other low-carbon technologies.

- **The publication of the Energy Efficiency Directive** in September 2023: it sets a binding target to reduce energy consumption by 11.7% between 2020 and 2030, or to progressively increase the growth of annual energy savings from the current 0.8% to 1.9% by 2028 and beyond, among other measures.
- **The provisional agreement on the Energy Performance of Buildings Directive of the European Parliament and Council:** it pursues a target to reduce emissions from the buildings sector by 60% by 2030 compared to 2015, and to achieve neutrality by 2050. To this end, it includes initiatives that promote the renovation of buildings with the worst energy performance, the definition of national trajectories for the reduction of primary energy use in residential buildings, or the increase in the requirements for new buildings, among others.



In Spain, it will be crucial how all this European regulation is transposed into national law and how the targets are incorporated into the revision of the National Integrated Energy and Climate Plan (PNIEC) 2021-2030, which was already submitted for public consultation in 2023. With a view to this review, it will be critical for the government to give impetus to the integration of renewable gases and hydrogen, whose current targets are clearly insufficient to facilitate the energy transition, especially taking into account Spain's enormous potential for biomethane production (mentioned above) and the technical demonstration that hydrogen can account for up to 20% of the gas circulating in the networks without posing a risk to transport and distribution infrastructures or users' equipment (as also demonstrated by the Nortegas project, H2 SAREA). The current regulation (gas system technical management rules) establishes a maximum limit of 5% hydrogen in the gas network, and the revision of this technical regulatory framework will be subject to public consultation at the end of 2023. In the specific case of biomethane, eleven associations and groups support increasing the tar-

get for replacing natural gas demand with biomethane from the current 1% to at least 10%.

The Ministerial Order for the deployment of smart meters, which was postponed to 2023, and for which the National Markets and Competition Commission (CNMC) has already approved a Resolution that sets the provisional and transitory price for meter rental, is also expected to be published in the coming months. This Ministerial Order may also prove to be essential for boosting the efficiency of the sector and digitalisation, with a view to achieving rationalisation of consumption and better control of fugitive emissions.

Finally, **at the end of 2023, the PERTE for industrial decarbonisation was published**, which by February 2024 had already received more than 100 applications. The areas of action of this line of aid are the decarbonisation of energy sources, integrated energy management of industrial processes, decarbonisation through the reduction of natural resources, carbon capture, storage and use, electricity savings, the installation of renewable energies for self-consumption

and R&D&I for the decarbonisation of industrial installations. To the extent that biomethane and hydrogen offer a low or carbon-neutral technology for the decarbonisation of non-electrifiable processes in industry, this PERTE could be a boost for these markets in Spain.



4_Nortegas strategy

4.1. From mission to strategic pillars

Sustainability from mission, vision and values

“Nortegas aims to achieve the efficient decarbonisation of the economy by harnessing its infrastructure for the energy transition.”



MISION

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

VISION

We contribute our experience in infrastructures and energy solutions to move towards a decarbonised economy, committed to collaborating in this common challenge with dynamism, the desire to excel 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 around us.

VALUES

INNOVATION

CUSTOMER FOCUS

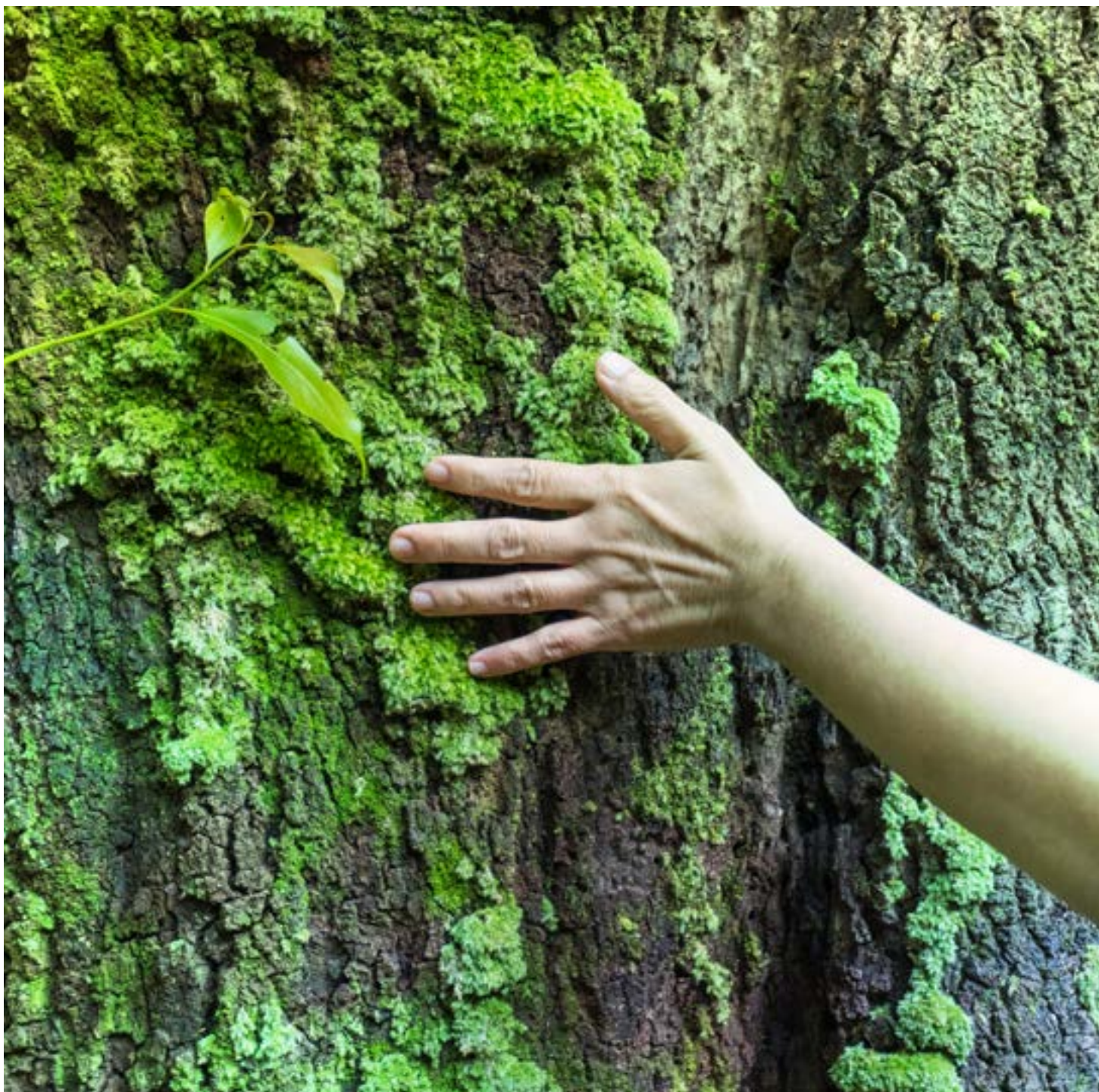
TRANSPARENCY

SUSTAINABILITY

RESPONSIBILITY

Strategic pillars

At Nortegas, sustainability is seen as a fundamental aspect of its business model and is therefore fully integrated into the decision-making processes at all levels of the company.

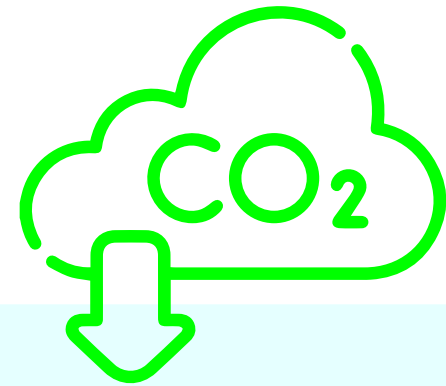


Nortegas is clearly committed to investing in the development of renewable gases as a solution for decarbonisation, sustainability and circular economy, providing its industrial and residential customers with access to sustainable energy infrastructures, without forgetting its contribution to independence and security of supply.

In this way, the company's actions are based on four strategic pillars aimed at making the most of the opportunities and reducing the risks associated with the energy transition, in turn generating a positive impact on the communities in which it operates.



4_Nortegas strategy



From the Board of Directors and its committees, with specific supervisory functions, to each of the Nortegas teams, the four pillars are present in all the company's processes.

Decision-making and monitoring

DECARBONISATION

The **COMMITMENT** of Nortegas to the energy transition involves the decarbonisation of gas networks and the company's in-house operations.

Finances

Achieve a sound financial structure far the long term and resilient to geopolitical shocks by integrating sustainability criteria into financing conditions.



Establish the strategic approach to guide Nortegas' transformation. analyse ESG risks and opportunities and develop i social impact programmes integrat ng diversity, equity and inclusion-in line th the Sustainable Development Goals.

Strategy, sustainability and regulation

DIGITIZATION

The **COMMITMENT** of Nortegas is to continue innovating in digital technology to improve operational efficiency and supply quality.

General Council

Leverage opportunities far Nortegas' traditionalassets and new businesses arising from the energy policyobjectives of decarbonization, circulareconomy and digitalization.



Ensure security and quality of supply, develop energy services and gas vehicles, and prepare gas infrastructure far the challenge of decarbonisation by boosting renewable gases and innovation.

Regulated Business

GROWTH

The **COMMITMENT** of Nortegas is to grow as an organisation and become an agent of comprehensive energy services for decarbonisation and technological development involving gas distribution infrastructure.

Digital Transformation and Customer relationship

Contribute to the digitization ofthe distribution infrastructure to ensure that the sustainabletransition of Nortegas occurs in a coordinated manner among all stakeholders and enhance information security.



Promete the development of the biomethane business. making Nortegas an enabling agent for decarbonization throughout the value chain.

Biomethane

SUSTAINABILITY

The **COMMITMENT** of Nortegas is to integrate sustainability into its business culture and operations, acting responsibly and ethically to ensure the long-term creation of shared value for its stakeholders.

Human Resources

Tackling business transformation through people management and facilitatinggenerational transition to maintainthe level of excellence in the tong term.

**“At Nortegas,
sustainability and
business are inseparable.”**



Environmental excellence oriented towards neutrality

Thanks to the implemented network monitoring and leakage control actions, Nortegas has managed to reduce its direct greenhouse gas emissions by almost 50% since 2019. This is more than meeting the targets that institutions such as Science Based Targets set for the sector between 2019 and 2030. Nortegas has also registered its carbon footprint for the second consecutive year with the Spanish Climate Change Office, certified by ISO 14064:2019.

A leading structure prepared for the long term

The sustainable transition is happening from the core of the business, which can be seen by the effort in the promotion of renewable gases and the launch of grid digitisation projects. With the creation of Nortegas Green Energy Solutions and Norbiogas Renovables, the organisation consolidates and structures itself for the implementation of its renewable gas strategy.

Social approach with stakeholders at the centre

For yet another year, Nortegas has maintained intense activity in the social sphere. Particularly noteworthy is the progress made in the corporate volunteer programme, the implementation of new work-life balance measures and the renewal of the family-friendly company certificate. In addition, this year the company began a due diligence exercise to manage potential human rights risks.

Leader in the sector

Once again, Nortegas' performance has been externally recognised by institutions such as GRESB, with a five-star rating. The company's score was 95 points out of 100 -equalling the results of 2022 and surpassing the 92 points of 2021-. Nortegas is the fourth gas distribution company with the best score globally out of the more than 680 companies evaluated.

Operational excellence and innovation

Nortegas' hallmark continues to be operational excellence. The grid's security and quality of supply indicators have returned to positive levels in 2023, something that the company transfers to its new business activities through the innovation projects for the energy transition that it leads. With 83% of the grid made of polyethylene and 16% of steel, the grids are ready to ensure long-term decarbonisation.

Sustainable investment as a basis for financial stability

Nortegas received a sustainable loan linked to ESG objectives, demonstrating its willingness to integrate sustainability into the business, as well as the investors' commitment to the company.

4.2. Materiality and contribution to the SDGs

“Sustainability, which is key to Nortegas’ activity, together with the economic, social and environmental impact of its solutions, position ESG issues as critical business factors.”

Nortegas has identified a series of critical factors in the context of its activities and markets in which it operates that are key to generating shared value in the territories in which it is present. These factors cover both financial and business aspects as well as others related to the social, relational and environmental capital of the stakeholders with which it relates. Nortegas’ strategy thus follows a comprehensive approach that underlines the importance of considering a broad spectrum of aspects and perspectives for the company’s sustainable development.



Climate change

Climate change risks and opportunities / Emissions / Energy

Circular economy and environmental protection

Waste and effluents / Pollution / Ecosystems and biodiversity

Digitalisation and innovation

Innovation / Cybersecurity / Information security and data protection

People and culture

Health and safety of professionals / Talent recruitment and retention / Personal and professional development / Labour rights and work-life balance / Diversity, equity and inclusion

Community development and human rights

Relationship with communities / Human rights / Health and safety of communities

Responsibility for operations

Corporate governance / Institutional relations / Ethics / Corruption and bribery / Crises, emergencies and disasters / Financial performance

Responsibility towards clients

Customer and user focus / Quality of service / Consumer safety, health and welfare / Access and affordability of products and services

Material issues

As there have been no relevant changes in relation to industry trends or the business model, the materiality analysis performed by Nortegas in 2020 remains valid. This analysis provided an overview of the most relevant issues for Nortegas in terms of sustainability and business management.

This materiality study incorporates the dual materiality approach, which considers both issues that are financially relevant to Nortegas - from the outside in, assessing their impact on the decision-making process due to the influence of stakeholders or reporting standards - and those that have an impact on the environment, society and stakeholders - from the inside out, through an assessment of the impacts generated in the communities and those identified by ESG analysts-.

Nortegas manages the monitoring of material issues through an annually updated risk map¹, which considers changes in the company's environment for the different lines of activity and updates their level of relevance for the business. Through this process, management plans are also monitored and established for each aspect.

The following chart presents the most relevant aspects identified after the materiality analysis.



¹ Information related to risk management at Nortegas is detailed in chapter 7.6.

Of the set of material issues identified through the analysis, access to and affordability of products and services was of particular importance in 2023, given the macro price situation.

The main material issues for Nortegas are detailed below:

Material issue

Dual materiality approach

Management tool

Risks and opportunities in climate change

Climate change is a global threat affecting all sectors of the economy and its effects are already tangible. Nortegas is focusing on reducing its carbon footprint and increasing its efficiency on an annual basis to address the risks of climate change.

- Analysis of climate change risks and opportunities with TCFD.
 - Carbon footprint certification (ISO 14064:2019).
- Detailed in chapter 5 ("A" - Environmental dimension) and 7 ("G" - Governance).

Health and safety of professionals

Nortegas goes beyond legal compliance in protecting the integrity of its professionals and contractors, and has an ethical commitment of responsibility to provide an environment based on health and safety at work through preventive policies and plans. By prioritising the well-being of its employees, the company obtains benefits such as an increase in the motivation of professionals, increased productivity, reduction of costs associated with illnesses or accidents, and improved reputation with stakeholders.

- Occupational Health and Safety Management System (according to the UNE-EN ISO 45001:2018 Occupational Health and Safety Management System Standard), for the establishment of safe and healthy working conditions and continuous improvement in this area.
 - Measures for work-life balance and flexible working and renewal of efr certification.
- Detailed in chapter 6 ("S" - Social Dimension)

Social and environmental law

Compliance with social and environmental legislation and crime prevention is essential for Nortegas, not only to avoid potential contingencies, but also to maintain the confidence of customers and investors. Ensuring compliance with current regulations and actively monitoring emerging regulation has a positive impact on the community in the company's areas of operation, contributing to the prevention of potential operational risks.

- *Compliance* management model based on the Compliance and Crime Prevention Policy, and aligned with the UNE ISO 19600:2015 and UNE 19601:2017 Standards.
 - Monitoring of the regulation and commitment to continuous improvement through the certification of Environmental Management Systems (according to the UNE-EN ISO 14001:2015 Environmental Management Systems Standard) and Occupational Risk Prevention (according to the UNE-EN ISO 45001:2018 Occupational Health and Safety Management Systems Standard).
- Detailed in chapter 5 ("A" - Environmental dimension) and 7 ("G" - Governance).

Material issue

Relationship with communities

Dual materiality approach

Establishing a strong relationship with local communities is essential to Nortegas’ success. In addition to avoiding reputational risks, this relationship is an integral part of its corporate social responsibility. Nortegas therefore integrates the needs and expectations of its stakeholders into its decision-making processes and daily operations, demonstrating its commitment to social responsibility and community engagement.

Management tool

- Consideration of stakeholder expectations, to identify risks and opportunities, fulfilling commitments and acting in accordance with Nortegas’ values.
- Encouragement of a two-way dialogue and good relations with the entire value chain in order to improve the Quality Management System.
- Human rights due diligence.

Detailed in Chapter 4 (Nortegas Strategy) and 7 (“G” - Governance)

Crises, emergencies and disasters

The prevention of emergency situations, as well as the management of these once they have occurred, is especially relevant due to the type of activity of Nortegas. Thus, the company has consolidated crisis and emergency management plans to prevent possible material, personal or reputational damage resulting from accidents or security breaches. These plans also seek to preserve business continuity, guaranteeing an effective response to any risk situation.

- Crisis management plan, which establishes criteria for identifying crisis situations, assigning responsibilities, establishing strategies and communication processes in these cases.
- Emergency and self-protection plans.
- Fire prevention training for all staff.
- Measures to ensure information security through the Cybersecurity Policy.

Detailed in chapter 4 (Nortegas Strategy) and 6 (“S” - Social Dimension).

Access and affordability of products and services

In recent years, developments in the economic and geopolitical environment have brought to the table the importance of ensuring access and affordability of Nortegas’ products and services in the face of potential risks such as loss of market share, declining demand or increasing social inequality. To avoid this, Nortegas strives to make the sustainable transition efficient, relying on its gas distribution infrastructure to ensure access to energy supply.

Detailed in chapter 4 (Nortegas Strategy).

4_Nortegas strategy

Material issue

Dual materiality approach

Management tool

Energy

Decarbonisation of the energy system is crucial to combat climate change. In this regard, international regulation is driving the penetration of clean energy, which could impact the profitability and long-term sustainability of the business. Nortegas is firmly committed to this challenge, and is working on transforming its business model to redirect it towards renewable gases, thus aligning itself with global trends and regulations that encourage a sustainable energy transition.

- Establishment of the company's environmental commitment in the Environmental Policy through its 6 principles (protect, raise awareness, listen, comply, improve and ensure).

- Operational control and improvement objectives of the Environmental Management System (ISO 14001:2015 Standard certification).

Detailed in chapter 4 (Nortegas Strategy) and 5 ("A" - Environmental Dimension).

Local presence at the place of operation

Given the lasting presence of its infrastructures, Nortegas prioritises the construction of solid and lasting relationships with the people around it in order to avoid or minimise any possible adverse effects on health, safety and the environment. Thus, the company implements initiatives to promote regional development, encouraging local communication and participation for the benefit of its surroundings.

Detailed in chapter 6 ("S" - Social dimension).

Corporate governance

Nortegas' corporate governance ensures transparency and trust towards its stakeholders through clear organisational structures and effective internal control systems, which are crucial for regulatory compliance, accountability and the preservation of corporate reputation. Furthermore, corporate governance oversees the integrity of decision-making processes and ensures adequate communication of decisions throughout the company, reinforcing internal governance.

- Corporate governance management model aligned with capital market practices (Nortegas' representation is defined in the corporate proxy matrix).

Detailed in chapter 7 ("G" - Governance).

Customer and user orientation and quality of service

Customer orientation and service quality are key factors in customer retention and loyalty. In addition, these aspects can also represent a competitive advantage through improved operational efficiency thanks to optimised processes and systems. Thus, the Nortegas customer service system ensures that the relationship with end users is aligned with the excellence and quality that characterises the company. The guarantee of service quality extends to the management of consumer safety, health and well-being, as well as crisis and emergency response. On the other hand, customer orientation is also embodied in Nortegas' efforts to enable users to learn about the different existing decarbonisation alternatives and to facilitate a transition, where requested, towards the new economy of renewable gases.

- Efficient management and control of processes, providing an excellent and sustainable service, in order to ensure maximum customer satisfaction, taking as a reference the Quality Management System according to ISO 9001:2015.

- Orientation of system management to anticipate customer needs, thereby strengthening trust, loyalty and recommendation.

Detailed in chapter 4 (Nortegas Strategy).

Nortegas’ contribution to the SDGs

“Natural gas distribution networks are a key social and industrial resource , but also for the long-term energy transition.”

Distribution energy infrastructures are currently a key asset due to their role in structuring the energy system. The context of geopolitical instability, energy dependence and increasing energy regulation further underline the importance of having resilient infrastructures capable of meeting the essential energy demands of households and industries, as well as fostering the long-term energy transition to renewable gases. Within this framework, Nortegas’ main economic impacts derive directly from the energy infrastructure itself and its business activities.

Infrastructure for sustainable transition

Guaranteed access to energy	Decarbonisation	Digitisation and innovation	Circular economy
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Applications of natural gas and renewable gases

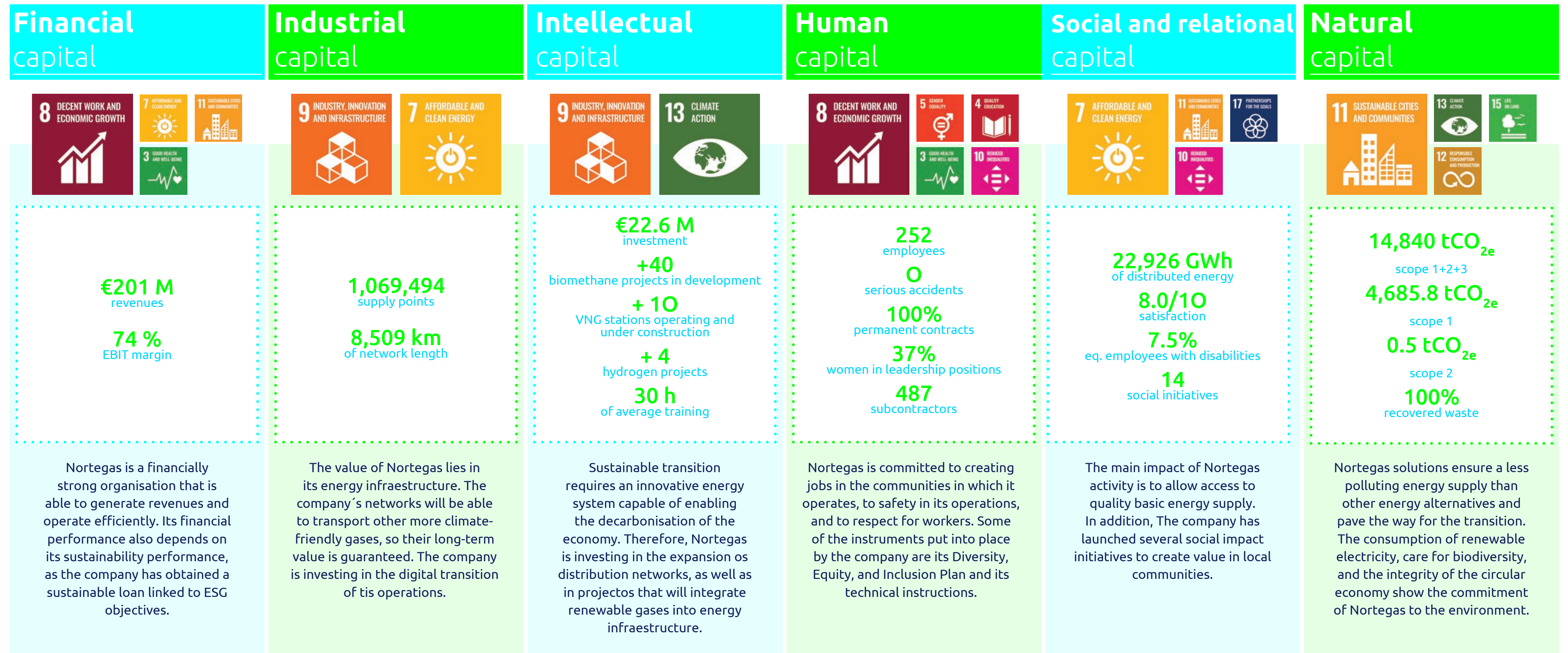


Residential and commercial	Industrial	Electricity generation	Transport
Cooking, heating and hot water	Supply to companies	Through gas or combined cycle turbines	Fuels for vehicles

Nortegas generates impacts on its stakeholders and the environment through its initiatives and established corporate culture. Having joined the Global Compact Global Network, the company incorporates and extends the ten principles of human rights,

labour, environment and anti-corruption into its purpose and internal processes. This underlines Nortegas’ understanding that its impact goes beyond performance in the financial sphere, generating impacts in the other capitals as well.

Contributing to SDGS by creating shared value



4.3. Towards decarbonisation

“Nortegas aims to play an active role in helping to decarbonise efficiently and competitively using its infrastructure, experience and track record as well as its investment capacity.”

In 2020, Nortegas began a profound transformation process of the company's current strategy, focused on aligning its assets and business with global sustainability trends and the European goal of neutrality by 2050. This strategic re-orientation not only seeks to position Nortegas in tune with large-scale market movements, but also to anticipate the long-term dynamics of the sector, with particular emphasis on the development of energy solutions based on renewable gases.



“This year has been a turning point for Nortegas, which has seen its strategy come to fruition.”

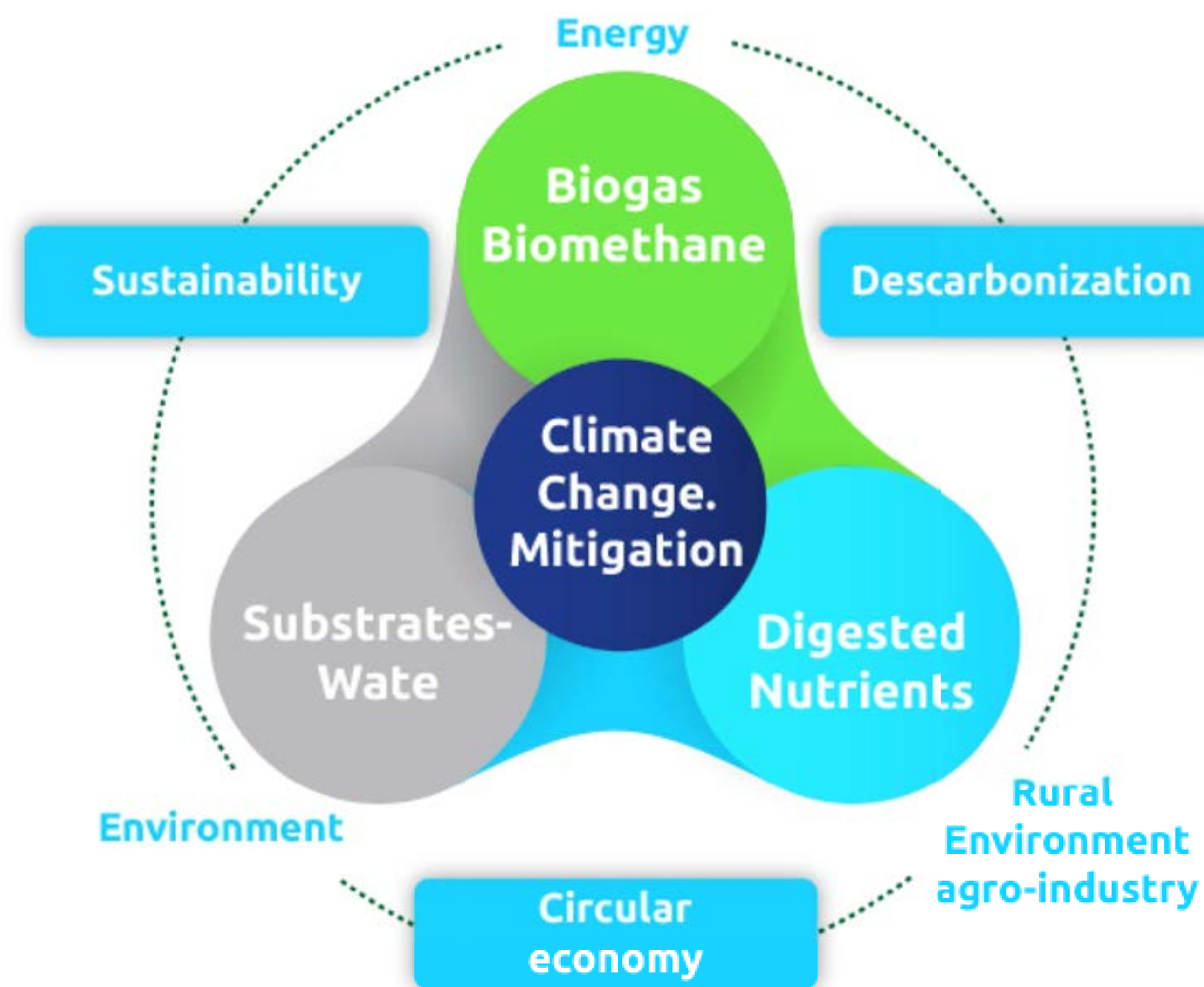
The year 2023 has been a turning point for Nortegas, in which the maturity achieved by the company has allowed the materialisation of the corporate strategy. Thus, the new biomethane and hydrogen businesses are now a reality for Nortegas. On a structural level, the organisation has also reached a new milestone in 2023 with the creation of the new biomethane division.

The role of natural gas infrastructure in the energy transition

Nortegas' strategic approach focuses on the decarbonisation of gas distribution networks by leveraging existing infrastructures for the distribution of renewable gases such as hydrogen or biomethane, the creation of new energy infrastructures for 100% hydrogen and the promotion of innovation throughout the value chain.

Thus, Nortegas' plan is to prepare its networks so that all the gases transported through them are of renewable origin:

4_Nortegas strategy

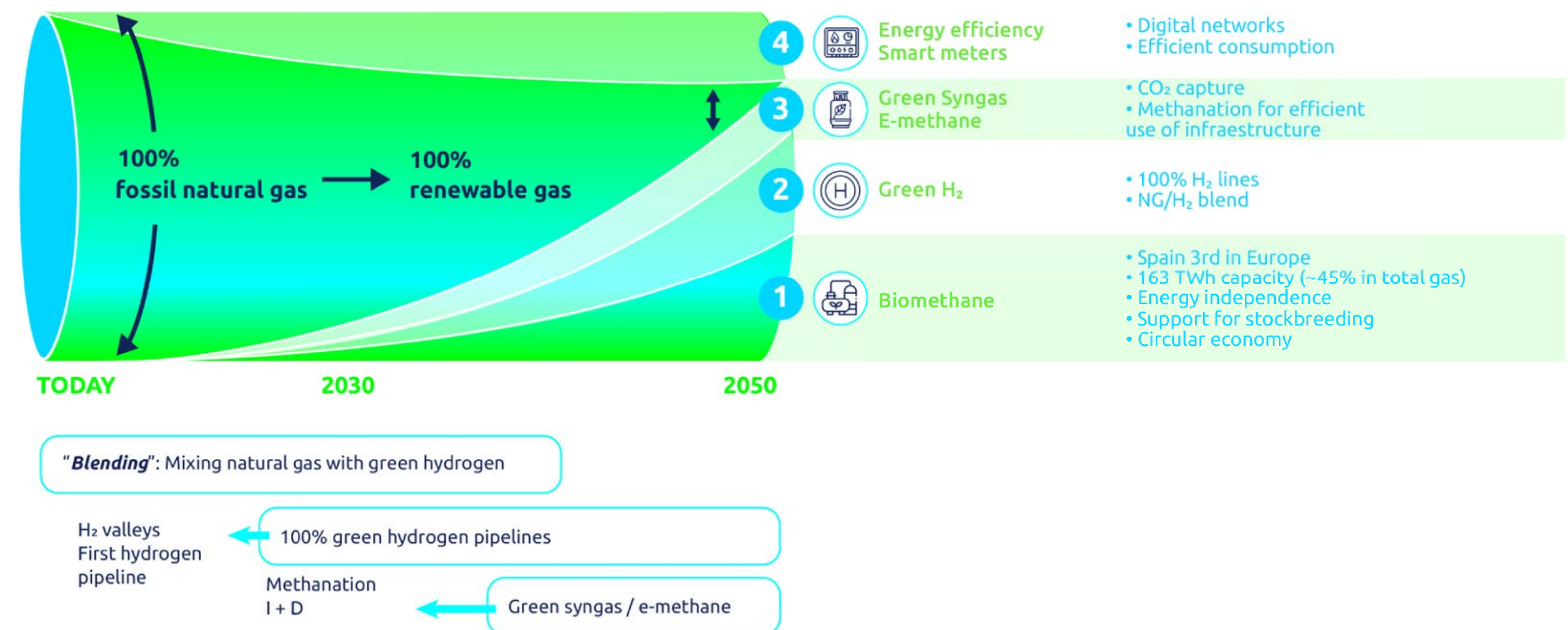


(1) Biomethane: the entire current Nortegas network is compatible with biomethane. Furthermore, at European level, Spain stands out as the third country in terms of biomethane production capacity, with a total accessible potential of 163 TWh per year according to the latest estimates by Sedigas. This renewable solution is highly effective and contributes to the circular economy and the use of resources, thus promoting energy independence.

(2) Green hydrogen: Nortegas explores the evolution of green hydrogen from different perspecti-

ves. On the one hand, it considers the development of hydrogen valleys, i.e. industrial consumption poles connected by 100% green hydrogen distribution infrastructure. On the other hand, it is committed to the mixture of green hydrogen with natural gas, known as blending, as it is an opportunity for decarbonisation in the short term, due to the possibilities of immediate blending offered by natural gas distribution networks.

Nortegas' energy infrastructures are ready for hydrogen integration. The capacity calculations carried out in the context of the H2 Sarea project demonstrate this. For the incorporation of 20% hydrogen in the distribution networks, apart from the necessary hydrogen injection positions, only minimal adjustments are required in certain sections of the network, less than 0.1%, and adjustments in elements of 2% of the ERMs.



(3) Green synthetic gas (e-methane): Synthetic methane is produced through CO capture² together with green hydrogen, and represents a ready-to-use solution with no additional installation cost for customers using natural gas. It is a way to adapt green hydrogen to the existing natural gas infrastructure, both distribution and final installations.

(4) Energy efficiency, through the implementation of smart meters. Thanks to them, it is possible to provide customers with detailed and intelligent information about their energy consumption and thus achieve efficiencies in energy use.



4.4. Traditional business

Nortegas' traditional role is focused on the regulated distribution of natural gas and the supply of LPG, both of which are essential to guarantee energy supply to industry and households. The work carried out in this business segment is related to the management, maintenance and expansion of the gas distribution networks to achieve greater saturation and efficiency in the service. The optimisation and extension of these networks are essential to meet current and future energy demand, thus ensuring the supply of a basic resource in a safe and sustainable manner.

“Nortegas’ regulated activities guarantee households and businesses access to quality energy”.

Development and service excellence

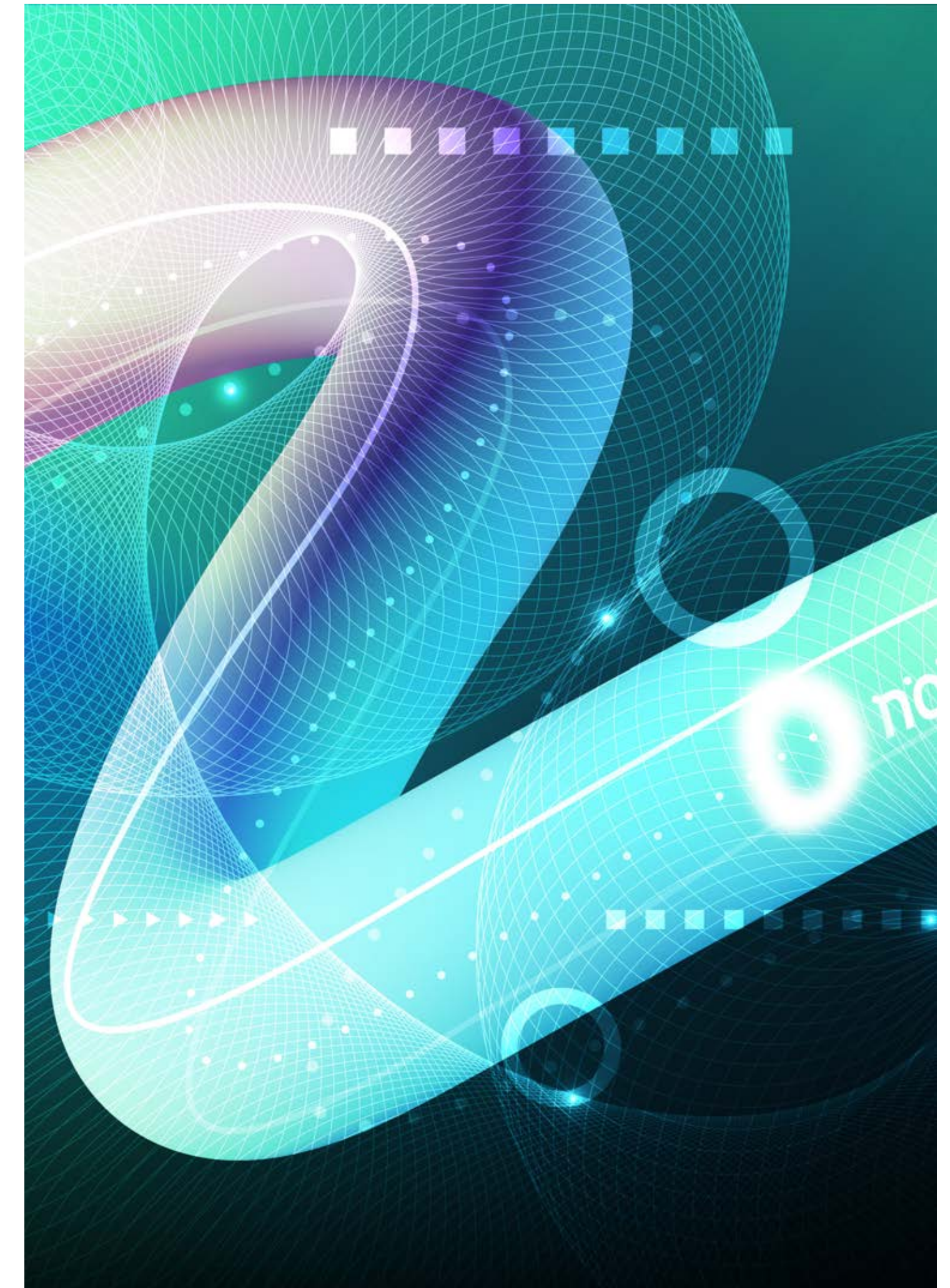
At national level, Spain has a natural gas distribution network of 80,915² kilometres in length and a penetration rate of 31% on average, according to the latest CNMC report of July 2020³. The degree of penetration, understood as the percentage of main homes with natural gas supply, varies depending on

the Autonomous Community, reaching 36% in Asturias and 52% in Cantabria and the Basque Country, according to the same report.

Nortegas is the second largest gas operator in the domestic market. It operates mainly in Asturias, Cantabria and the Basque Country, where its distribution networks extend over **8,509 kilometres** and where it has more than **one million supply points**. This business revolves around the **distribution infrastructure**, which connects the primary natural gas transmission system throughout Spain with the points of consumption. It also includes the promotion, development, construction and operation of new infrastructures, as well as network operation, maintenance and continuous improvement services.

² Annual Report 2022, Sedigas

³ Report on the supervision of the natural gas market in Spain. Period: year 2019, CNMC.





Gas distribution supply points

	Location			
	Asturias	Cantabria	Basque Country	Castilla y León
Natural gas	227,534	186,873	565,774	
LPG	18,352	33,789	36,792	380

Despite the impact of rising prices and high temperatures on the company’s industrial and domestic volumes, Nortegas continued to increase its customer base in both sectors throughout the year. The company’s gas distribution infrastructure reached 8,509 kilometres (+0.4%) and 1,069,494 supply points (+0.5%) in 396 municipalities, of which 225 are supplied by natural gas and the rest by LPG.

Thanks to Nortegas’ networks, 22,926 GWh of energy has been distributed to companies and households, ranking second in terms of market share according to the CNMC⁴.

Macroeconomic uncertainty and volatility in the gas market are also reflected in the company’s results, evidenced by the reduction in gross natural gas and LPG registrations in Spanish households during 2023.

NATURAL GAS

	2021	2022	2023
Network lenght (km)	7,956	7,985	8,013
Supply points (no.)	968,233	974,919	985,643

LPG

	2021	2022	2023
Network lenght (km)	479	492	496
Supply points (no.)	88,646	89,098	89,731

4 Quarterly bulletin of supervision of the retail natural gas market in Spain, third quarter of 2023, CNMC.

However, Nortegas has registered more than 14,900 new registrations and has increased the number of commercial acquisitions and extensions in the tertiary and industrial sectors, with a total of 325 acquisitions.

DEVELOPMENT AND EXCELLENCE IN SERVICE

	2021	2022	2023
Number of gross new customers in the residential natural gas and LPG segment	22,623	16,416	14,987
Commercial uptakes and expansions in the year in the tertiary and industrial sectors (GWh)	339	238	325

The company plans to continue its growth strategy in the gas distribution sector in order to improve its results for the year.

.....
“Faced with the current challenges in the energy sector, the company prioritises service excellence and guaranteed access to supply as fundamental pillars of its activity.”
.....

Nortegas has rigorous quality management systems in place internally that guarantee customer focus and service quality in the LPG and natural gas activity, around which the company’s culture revolves, with ISO 9001:2015 (quality), 14001:2015 (environmental) and 45001:2018 (health and safety) certifications.

In relation to this aspect, quality standards and supply assurance indicators have been maintained at all times at adequate levels.

CALLS AND WAITING TIME

	2021	2022	2023
Calls answered in less than 20 seconds (%)	82	80	83
Missed calls (%)	3	4	3.4
Average user waiting time (seconds)	22	30	26
Average operating time (minutes)	5:28	5:44	5:25

In addition, the company’s customer service system ensures that customer service meets the high standards of excellence for which it is known. The data recorded for average waiting time, average operating time and the percentage of calls handled have improved compared to the previous year.

The quality of customer service is evident in the Nortegas customer satisfaction index, assessed by the three-yearly survey of marketers, which remained at 8 in 2023 compared to the last available survey. Due to the increase in gas prices experienced in the country during the first six months of the year, there has been an increase of approximately 27% in the number of complaints received from customers. Despite this, resolution times have remained stable, with more than 96% of complaints resolved within the expected timeframe.



In order to ensure service quality and promote improvements on a consistent basis, Nortegas has implemented an internal audit process of the quality management system that involves detailed monitoring of key indicators. In addition to monitoring, specific action plans are established to address areas requiring attention or improvement. This proactive approach ensures that the company is always aware of its performance and prepared to make adjustments when necessary.

SATISFACTION WITH SERVICE

	2021	2022	2023
Satisfaction of the person requesting connection (0-10)	8.6	8.6	8.9
Satisfaction with service provided (through suppliers) *(0-10)	8.0	8.0	8.0
Satisfaction with the LPG customer telephone servicee (0-10)	8.5	8.1	8.4
Complaints received from customers (no.)	40,384	73,466	93,725
Complaints received resolved within the deadline (%)	96.5	94.8	96.5

* The survey is a triennial survey, having been carried out in 2021.

Nortegas not only focuses on achieving high levels of customer satisfaction in terms of the service provided, but also recognises its responsibility as a key player in society to ensure energy supply for both domestic and industrial use. Given the nature of its business, the company is aware that reliability of supply not only affects people’s quality of life, but also the viability of business models.

In this respect, Nortegas uses various indicators to monitor its level of management in relation to gua-

rantee of supply, enabling it to set ambitious annual targets. This translates into a commitment to continuous improvement in order to provide the best possible service to customers and users.

In 2023, the company has seen a slight increase in the TCR index, although it has achieved the rest of the excellence targets set in relation to the guarantee of supply indicators, with the exception of the breakage index.



SECURITY OF SUPPLY

	2021	2022	2023
TCR Index ⁵	2.4470	1.4780	1.845
Index of network interventions	0.0049	0.0030	0.0023
Breakage rate	0.0108	0.0134	0.0135
Emergency care index	0.0157	0.0164	0.0158
Average time between reception and presence (minutes)	22	25	22
Network quality and security level index	0.0210	0.0200	0.0130
Compliance with the annual preventive maintenance plan (%)	100	100	100

⁵ Calculated as the duration of the outage times the number of supply points affected divided by the total number of supply points.

EMERGENCY MANAGEMENT

	2021	2022	2023
Emergency calls (no.)	36,220	35,563	33,145
Decrease in emergency calls (%)	1.7	1.8	6.8
Emergency warnings (no.)	6,690	6,427	6,313
Efficiency of emergency management (no. of P1 notifications ⁶ +P2 per 1,000 people)	6.3	6.0	5.9
Assignment time P1 warnings (minutes)	1.6	1.4	1.5
Travel time warnings P1 (minutes)	27.3	27.2	26.2

6 P1 alerts are those with the highest priority.

Crisis and emergency management

Nortegas’ policy and commitment are fully integrated in the company’s Quality Management System. This system is based on the implementation of defined processes and procedures to guarantee business continuity and safeguard the corporate reputation.

Within this structure, a person responsible for emergency management is appointed, who reports directly to the director of operation and network ma-

nagement. All processes are documented by means of emergency plans and internal regulations, such as technical specifications and the Crisis Management Plan, which involves the participation of the Board of Directors in decision-making when necessary. In addition, the company establishes criteria for the identification of complex situations, designating those responsible for their management and implementing strategies and communication processes



to deal with them effectively. This approach ensures efficient manner.

Over the year 2023, 33,145 emergency calls have been recorded, 6.8% less than in 2022 and 8.5% less than in 2021. The other indicators also meet the established expectations.



4.5. New business

Thanks to the efforts made in recent years, Nortegas has consolidated its position as a pioneer in the development of innovative projects that contribute to the promotion and development of renewable gases and the digitalisation of distribution networks, promoting the change towards a sustainable and lasting energy system in the long term.

“The company strives to extend the sustainable leadership that characterises its management of gas distribution networks to its new business activities”.

At the organisational level, the creation of a new biomethane business unit has involved a corporate restructuring in which the separation of activities between regulated and deregulated businesses has been a guiding principle, thus giving way to a more diversified and sustainable structure.

“By investing in innovative renewable gas solutions, Nortegas is laying the foundation for the energy transition to a decarbonised gas sector.”

Today, the company is prepared for the integration of renewable gases into its networks thanks to its 99% polyethylene and steel infrastructure.

For the remaining 1%, Nortegas continues to dedicate resources to projects involving the replacement of cast iron networks and other improvements aimed at strengthening the quality of supply and ensuring the safety of the infrastructure.

Biomethane

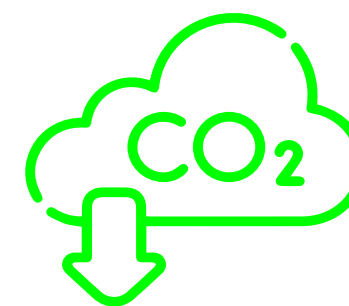
“Biomethane, a renewable energy solution as a cornerstone in Nortegas’ strategy for business transformation.”

Biomethane, obtained from biogas generated by the decomposition of organic matter, stands out as a highly efficient technology for the energy recovery of organic waste and the promotion of

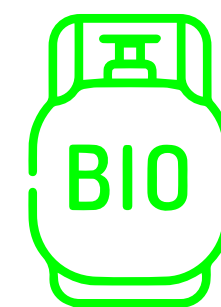
the circular economy. Its renewable nature and its similarity to natural gas make it an important commitment for Nortegas to transform its business in the short term. The implementation of biomethane facilitates the gradual decarbonisation of the economy, leveraging existing energy infrastructure without requiring adjustments to consumers' end equipment, which in turn drives the energy transition. Furthermore, biomethane aligns with the Just Transition philosophy, creating economic opportunities and employment in rural areas.

“Biomethane is an energy vector within renewable gases that represents an integral solution for decarbonisation, sustainability and circular economy, without forgetting its contribution to independence and security of supply.”

In order to further promote sustainability in the energy sector, Nortegas is at the forefront of advancing projects to produce and integrate biomethane into the natural gas grid from various organic sources. Within its strategic framework, the company has several objectives in this field:



Enabling the decarbonisation of its customers through renewable gases



Design standards for the development of biomethane production facilities.

Over the course of 2023, the company has consolidated its position in the biomethane market by participating in more than 40 projects aimed at its production, with a projected investment of more than 800 million euros over the next six years. The company's

objective is to have a total of 70 plants throughout the country by 2030.

The transdisciplinary nature of biomethane projects represents one of the main challenges for the company in this respect. Nortegas has therefore increased its efforts to facilitate the integration of biomethane generation projects into its value chain. In this sense, the company is collaborating with a variety of waste and sectors, fostering market growth and establishing strategic alliances with the various participants in its production cycle.

In this context, Nortegas recognises the importance of having a robust regulatory framework that sets the basis for the progress of these technologies. It highlights the implementation of the Guarantees of Origin (GoO) system for renewable gases at national level, which contributes to increasing transparency and facilitating consumer participation in the transition to a decarbonised energy system. In addition to GoOs, the development of the International Sustainability and Carbon Certification (ISCC) of Biofuels Production plays a key role in providing evidence of compliance for the European biofuels market.

Biolvegas, a pioneer in Spain

“Biolvegas has started injecting biomethane into the grid through its Ólvega plant, the first one designed for this purpose in Spain from the outset.”

In 2022 the company initiated an important milestone, with the construction of the first biogas plant specifically designed to inject biomethane into the distribution network in Spain, located in Ólvega (Soria). The project has been carried out through its subsidiary dedicated to the generation of biomethane, Norbiogas Renovables, S.L.U., together with the other founding partners of Biolvegas S.L. such as Biovec, Bioenergética de Navarra and Oleofat, among others.

The plant became operational in the second quarter of 2023 and is currently injecting 18 GWh per year of biomethane into the natural gas grid, which is approximately equivalent to the annual gas consumption of 3,800 households. It is estimated that

through its activity it will achieve a reduction equivalent to 14,200 tonnes of CO₂ per year. This production will increase in 2024.

The start-up of the plant has involved a total investment of 6 million euros in a municipality with a population density of 37 inhabitants per km². This has allowed the creation of 6 direct jobs and around 20 indirect jobs in its area of influence, which demonstrates the great potential of biomethane in the generation of employment in rural areas.

This project marks the first tangible step in Nortegas' plans related to biomethane, and represents a significant advance in the deployment of this sustainable resource in Spain.



4_Nortegas strategy



Nortegas redoubles its commitment to biomethane with a plant in León

In March, the company presented its second biogas plant in Spain. It is a plant located in Valencia de Don Juan (León) that will receive an investment of around 8 million euros to supply around 30 GWh of biomethane to the natural gas network annually, which is equivalent to the annual gas consumption of approximately 8,000 homes. This is expected to achieve a reduction of around 6,000 tonnes of CO₂ per year and the generation of 9 direct jobs and 31 indirect jobs.

New large-scale project in Toledo

In May, Norbiogas Renovables SLU presented the Gálvez plant (Toledo), one of the largest biomethane projects at national and international level. The plant will have the capacity to produce 100 GWh per year of biomethane to the natural gas network, with the management of 350,000 tonnes of waste per year and sufficient energy production to supply 20,000 homes. The project is being carried out by the Ibenergi Group through its subsidiary Nortiben Green Energy I S.L.

Granja Conchita joins Nortegas biomethane network

The plant to be located on the land of Granja Conchita S.A. (Valladolid), which also participates in the project, will have the capacity to produce 20 GWh per year of biomethane to the natural gas network, with the management of 60,000 tonnes of waste per year. This production is equivalent to the average annual natural gas consumption of 4,000 households, with 85% less CO emissions². 6 million and the creation of up to 20 new jobs, 5 direct and 15 indirect.



Hydrogen

“Nortegas is committed to green hydrogen as an integral part of its sustainability and transformation strategy.”

As part of the company’s sustainable transformation plan, green hydrogen emerges as the second major initiative to meet existing natural gas demand through renewable fuel gases.

Renewable hydrogen (H₂) is a promising energy source for decarbonisation, as its production by decomposing water into its elements does not emit green-

house gases. While conventional methods exist to produce hydrogen using fossil fuels, alternatives have been developed to generate green hydrogen by electrolysis of water with renewable energy.

Although the development of renewable hydrogen has not yet reached the same level of technical development as biomethane and its commercial deployment entails higher production costs, its ability to address the intermittency problems of renewables and its ability to integrate into the gas grid make it a crucial component of the energy transition.

In this respect, Nortegas’ strategy consists of leading renewable hydrogen projects to make this renewable gas a reality in the medium term. On the one hand, the company has become a promoter of gas pipelines 100% dedicated to hydrogen distribution. These hydroproducts connect important industrial consumption, concentrated in valleys for their transformation into hydrogen in the medium and long term. On the other hand, Nortegas offers the possibility of incorporating up to 20% hydrogen in its existing distribution networks in mixture with natural gas or biomethane (a technique known as blending) as a short-term so-

lution to align generation, demand and consumption, promoting industrial decarbonisation through guarantees of origin.

In order to contribute to the development of the green hydrogen ecosystem in its community, Nortegas is has set the following objectives:

- ▲ Develop first H2 blending community
- Design and build the first 100% hydrogen valley by 2026
- Develop the first commercial 100% H2 thermal solution
- Enable H2 injection into the grid
- Promote solutions that enable the use of H2 vehicles
- Design standards for the development of H2 production facilities
- ▼ Help to promote the development of H2-ready boilers for vulnerable customers

“Nortegas stands out for its active and strategic participation in the advancement and integration of green hydrogen, with more than 4 projects under development.”

During 2023, Nortegas has been involved in the execution of more than 4 initiatives related to hydrogen, collaborating in various alliances and working groups for the development of this technology. These advances place Nortegas as a benchmark in the sector, positioning the company on the map for the future challenges of gas distribution.

Leadership from the Basque Hydrogen Corridor

“Nortegas, main driver of the hydrogen distribution infrastructure vertical in the BH2 C.”

Within the framework of the Basque Hydrogen Corridor (BH₂C), an initiative that brings together various actors in an ecosystem focused on the development of renewable hydrogen in the Basque Country, Nortegas assumes the role of coordinator and key player in the hydrogen distribution infrastructure vertical.

Specifically, the corridor aims to take advantage of Bizkaia's geostrategic location as a technological and industrial hub, and the financial and regulatory prospects of the sector, for the development of commercial and innovation projects related to green hydrogen, and has a projected investment of 1,500 million euros until 2026.

H2SAREA, a Nortegas initiative that is a benchmark in Spain.

“H2SAREA, led by Nortegas, places the company at the forefront of European R&D projects for blending hydrogen with natural gas in distribution networks.”



As part of the BH₂C initiative, Nortegas launched the H2 SAREA project in 2021 based on research and development of technological solutions for hydrogen distribution through gas networks under different hydrogen and natural gas blending scenarios. The initiative sought to demonstrate the viability of gas infrastructures for the progressive and safe injection of hydrogen. Thus, through the platform, research was initiated on the behaviour of materials and components in contact with hydrogen and with mixtures of hydrogen and natural gas under different blending percentages.



H2 SAREA was conceived as a tractor project, a source of new business and employment opportunities. The project is part of a consortium of recognised companies from the Basque industrial fabric (such as ABC Compresores, C.A.E., S.L., FIDEGAS, H₂ Site, Erreka Fastening Solutions and Orkli), and has the support of two of the main Technology Centres of the Basque Science, Technology and Innovation Network. Furthermore, the innovative nature of this initiative generated institutional interest, receiving a visit to the facilities in 2022 from the Basque Prime Minister Iñigo Urkullu, Teresa Ribera, Vice-President and Minister for Ecological Transition and the Demographic Challenge, and Denis Itxaso, Government Delegate in the Basque Country.

.....
“H2SAREA successfully completes three years of research, confirming the feasibility of natural gas networks for blending up to 20%.”
.....

Throughout 2023, Nortegas has successfully completed the blending test cycle with a fourth phase in which 20% hydrogen has been injected into natural gas, following on from the other previous phases, in which the same tests were carried out with 5%, 10% and 15% blending for 3,000 operating hours.

The project results confirm that existing gas infrastructures are compatible for the distribution of renewable gases, while maintaining the safety standards of the natural gas grid. Furthermore, it has been concluded that the injection of 20% hydrogen into the distribution network could lead to a reduction of CO emissions² equivalent to approximately 40-50% of the domestic demand for natural gas in Spain, also contributing to a significant reduction of CO and NO emissions^x.

At user installation level - in the receiving installation, kitchen and domestic boiler - the tests show correct operation of the equipment without any type of incident or leakage for mixtures of up to 20% hydrogen, in line with the results detected in the distribution networks.

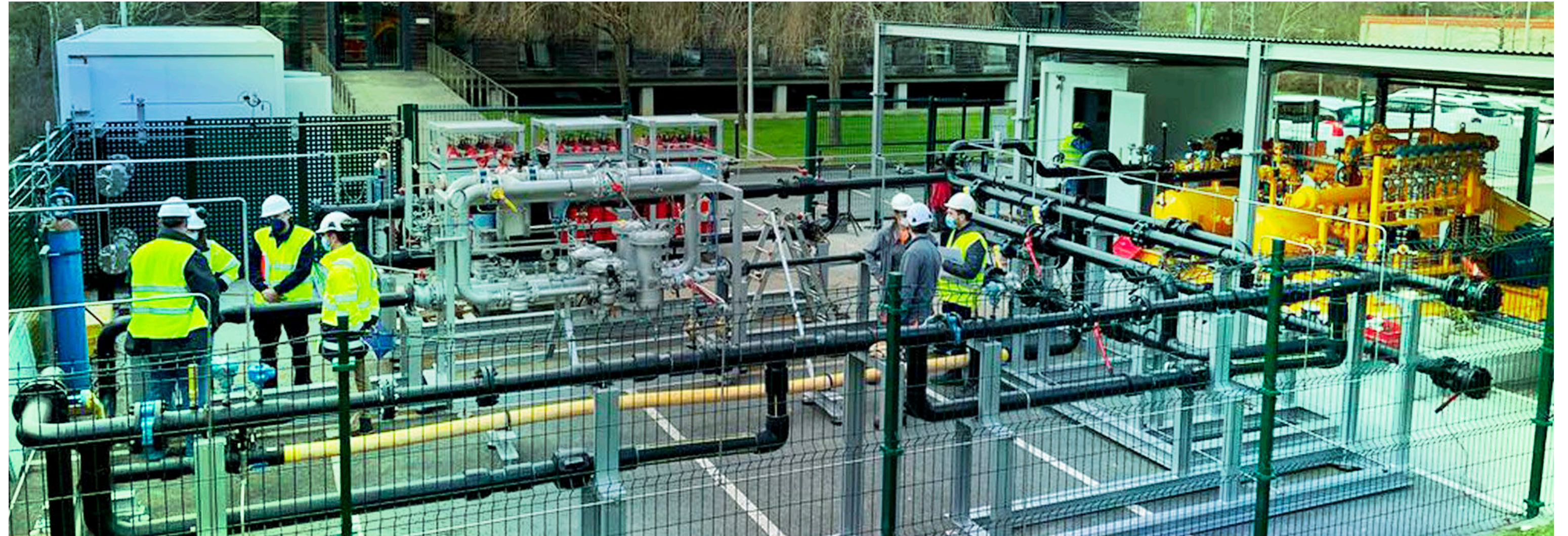
In addition, case studies have been carried out for the industrial use of hydrogen - in heat treatment furnaces and auxiliary steam boilers - whose theoretical results show that it is feasible to use mixtures of 30% hydrogen and 70% natural gas in the installations.

Findings from tests conducted over the past three years indicate that Nortegas' existing natural gas distribution networks allow for the injection of up to 20% green hydrogen, establishing a solid basis for the development and regulation of these hydrogen infrastructures as part of the national energy transition.

Nortegas is also taking advantage of the infrastructure developed in the project to test the smart meters with hydrogen in different percentages of mixture with natural gas.

First hydroduct in Spain

“The Abanto Technology Park, a pioneer in Spain thanks to the first hydro-product at national level with a start-up certificate.”



At the end of 2022, Nortegas completed construction and received approval from the Basque Government for the commissioning of Spain's first fully dedicated hydrogen product . The project marks a significant milestone for Nortegas in the context of the BH2 C, and has meant the transformation of the Abanto Technology Park into the first and only business space in the country with hydrogen supply.

The hydroduct has been developed in collaboration with Petronor and Repsol, covers almost two kilometres and has required an investment of close to one

million euros. The aim of the project is to promote sustainable mobility by connecting the production of green H2 with the existing infrastructures in the Technology Park, where renewable hydrogen will also be supplied to the Living Lab and Energy Intelligence Center (EIC) of the Park. Nortegas, during 2023, has collaborated with the generator, the marketer and the users of green hydrogen to establish the necessary procedures for the efficient operation of this key infrastructure in the future.

“The role of the hydrogen distributor includes the management of network security, operation and customer services, analogous to the role in natural gas.”

With the launch of the hydroduct, the company positions itself as a key player in the development of industrial hydrogen valleys in the geographies where it operates as a natural gas distributor, bringing together and promoting supply and demand in the limited geographic areas where it makes long-term sense to develop 100% valleys.

H2INTEGRA

“Nortegas’ commitment to innovation and adaptation to its customers’ needs is reflected in projects such as H2 INTEGRA, which seeks to provide natural gas and green hydrogen mixtures suitable for their specific requirements.”

In the context of H2 SAREA and in collaboration with H2 SITE, Nortegas has developed a green hydrogen and natural gas separation module focusing on hydrogen quality. By using palladium membranes with high hydrogen selectivity, high purity hydrogen separation is achieved for fuel cell applications, for example, or other applications requiring high hydrogen quality as process output.

The H2 INTEGRA project goes further and focuses on ensuring the safety of customers connected to natural gas distribution networks with hydrogen blending that may have certain operational limitations

with respect to the maximum allowable percentage of hydrogen.

During the development phase of this project, different polymeric membranes, each with different levels of hydrogen permeability, are being designed and evaluated. The purpose of this study is to design a separator capable of producing a gaseous mixture with less than 2% hydrogen content from a natural gas mixed with up to 20% hydrogen. This approach highlights Nortegas’ commitment to offer innovative solutions to suit the specific needs of its customers and to promote the sustainable use of hydrogen in the natural gas distribution network.

H₂BIDEA and H₂EAT, the Nortegas commitment to innovation

During 2023, Nortegas has worked on the start of new projects that are expected to be developed in the coming years.

In addition to H₂SAREA, the company has devised the H₂BIDEA project, the aim of which is to evaluate the operation of a newly built 100% hydrogen distribution network. Among the different tools to be de-



veloped within the scope of the project, laboratory tests, etc., the H₂ TestLab will be designed, a laboratory that faithfully simulates the conditions of this type of gas installations. This unique infrastructure makes it possible to carry out exhaustive tests that evaluate the responsiveness of the systems, while at the same time analysing their reliability and safety under real operating conditions.

On the other hand, the purpose of the H₂EAT project is to carry out research aimed at generating the necessary knowledge to enable the development of innovative technological solutions aimed at redu-

cing the carbon footprint in the manufacture of aluminium products in the automotive sector. To achieve this objective, a work plan has been established focusing on two main strategic areas: the energy transition through the use of renewable H₂ as an alternative to the fossil fuels currently used in aluminium smelting, and the promotion of the circularity of materials through the efficient use of raw materials, as well as the incorporation of recycled materials with a low carbon footprint.

These projects are part of an ongoing search for innovative solutions and technologies to promote the

efficient and safe use of green hydrogen.

The BenortH₂ green hydrogen plant

Nortegas, in collaboration with White Summit Capital, Castleton Commodities International (CCI), SENER and Bizkaia Energía, is participating in the development of a project for the construction of one of the first green hydrogen plants at national level that takes advantage of the infrastructure of the Bizkaia Energía combined cycle power plant in Amorebieta, Bizkaia.

The objective is to develop a green hydrogen plant with a capacity of 20 MW for the production of

more than 2,000 tonnes per year with electricity supply through the grid via virtual renewable PPAs (Power Purchase Agreements), which will prevent the emission of 12,000 tonnes of CO₂ into the atmosphere. The hydrogen produced will be injected into the combined cycle itself, into the natural gas distribution network, as well as into the installation of an H₂ filling station (hydrogen station) for the transport of heavy local vehicles. For this project with a long-term vocation, we will try to seek support from European funds, adapting the design to the conditions established by the different programmes and thus gaining scalability for the project.

H2UDF, generation of green H₂ in Asturias

“The use of former mining infrastructure for renewable hydrogen generation is a boost for a just transition.”

In Asturias, Nortegas is also promoting projects linked to the production of green hydrogen with partners such as Hunosa and Duro Felguera. The initiative is based on the rehabilitation of a former coal

mine for the generation of green hydrogen by electrolysis from mine water and aims to expand its scope to other locations linked to former mining sites.

The objective is to inject the hydrogen generated into the gas network for distribution to satellite stations and its subsequent use in mobility or industry, thus avoiding the emission of 8,000 tonnes of CO₂ per year. In this way, it maximises the use of infrastructures and supplies formerly dedicated to mining, and also provides solutions for a just transition in the region.

Strategic alliances

Nortegas is committed to investing with strategic and technically solvent partners in green hydrogen, taking advantage of its gas network for its commercialisation through guarantees of renewable origin or developing new networks 100% where it makes sense. The company also fosters collaboration with other relevant actors by participating in initiatives such as the European Clean Hydrogen Alliance or Ready4H₂, showing its support for the integration and development of green hydrogen in the energy economy.

Complementary services

Smart and digital networks

“The digitisation of grids through smart metering is key to fostering the energy transition and improving energy efficiency in consumption.”

Over the last year, Nortegas has collaborated with various suppliers with the aim of accelerating the process of replacing the analogue meter with the smart meter that the sector will have to undertake in the near future, and facilitating its large-scale expansion when the regulation establishes it.

The company currently operates the municipalities of Alonsotegi and Ugao-Miraballes with smart meters, although it expects to deploy up to one million smart meters in the coming years. The approximate investment for what will be Nortegas’ biggest network digitalisation event in the coming years is around 100 million euros.

The smart meters included in these pilot projects are gas meters that, installed together with methane and carbon monoxide sensors, acquire intelligence providing immediate alerts to users in the event of an emergency. In addition, households can monitor their consumption, analyse their habits, communicate with Nortegas and access additional information via a mobile app. This highlights the company's commitment to digitising its operations and continuously improving its customer service.

These devices have great potential in terms of improving users' security. Smart meters also encourage more responsible and conscious consumption, thus minimising the environmental impact of households.

Natural Gas for Vehicles (NGV)

“NGV is an example of the opportunities of gas for the energy transition.”

NGV offers economic and environmental benefits in terms of emissions, air quality and noise pollution. This fuel facilitates access to restricted urban areas

for environmentally friendly vehicles in major cities and represents a current solution that will allow in the short and medium term the adoption of biomethane as a fully renewable alternative in the transport sector in general.

Thus, throughout 2023 the company has maintained its commitment to promote the use of natural gas as a solid and efficient energy alternative for sustainable mobility, despite the low demand caused by high gas prices.

“Nortegas has achieved its strategic goal of having at least one gas plant in all its provinces of operation by 2023.”

In its commitment to boost NGV deployment, the company has collaborated with Repsol to offer the public access to a wide network of NGV refuelling points. With 11 gas stations in total, currently 9 operational and 2 under development, Nortegas has at least one gas station in all its operating provinces, which is a milestone for the company. Two of the gas stations are also located outside the company's traditional areas of operation, in Logroño and Madrid.

In addition, Nortegas leverages its sector know-how to offer customised NGV solutions for customers with their own fleet who are looking to make economic savings and reduce their carbon footprint in transport.

Other services

The company has been carrying out other services related to decarbonisation, such as the replacement of oil and other fuel boilers with natural gas boilers. These projects aim to reduce household emissions through centralised solutions, facilitating their financing and offering additional maintenance services and energy advice. In addition, the modernisation of installations allows energy consumption to be optimised, resulting in additional savings over and above fuel switching, thus generating additional efficiency in energy consumption. Specifically, the year 2023 has been very positive for the centralised boiler business, with more than 30 leasing transactions completed and approximately more than 4,000 tonnes of CO₂ avoided. This underlines the great economic and emission reduction potential of these installations.



Another example is the LPG maintenance service “Nortegas A Punto”, which has established itself as a consolidated line within the company, maintaining a constant and positive growth rate. Currently, the service already has more than 12,000 customers and a 14.54% market share, which is an absolute success. In the case of the “Nortegas A Punto” maintenance service aimed at propane customers, the company carries out maintenance of installations in homes by means of preventive checks and offers 24-hour breakdown service every day of the year.

4.6. The digital transformation of Nortegas

“Nortegas is immersed in the digital transformation of its operations and gas networks to improve service quality and achieve efficiencies.”

For Nortegas, digital transformation encompasses more than simply investing in a digitised, secure and sustainable distribution infrastructure. It also involves working on improving its efficiency as an organisation. Thus, Nortegas’ investments have not only focused on new business expansion and infrastructure maintenance operations, but also on driving the company’s digital transformation.

Nortegas is undertaking this transformation of its digital systems with a view to evolving into a company with more efficient and agile processes, while maintaining its high digital security standards. After completing the process of settling and optimising the IT infrastructure started several years ago, in 2023 Nortegas has focused on reviewing its technological procedures from a process engineering point of view and identifying potential associated improvements.

Nortegas has developed a plan that seeks to promote the safety of its distribution networks, generate savings by optimising efficiency and reduce the environmental impact of its operations. This plan has been extended with new initiatives for the current year.

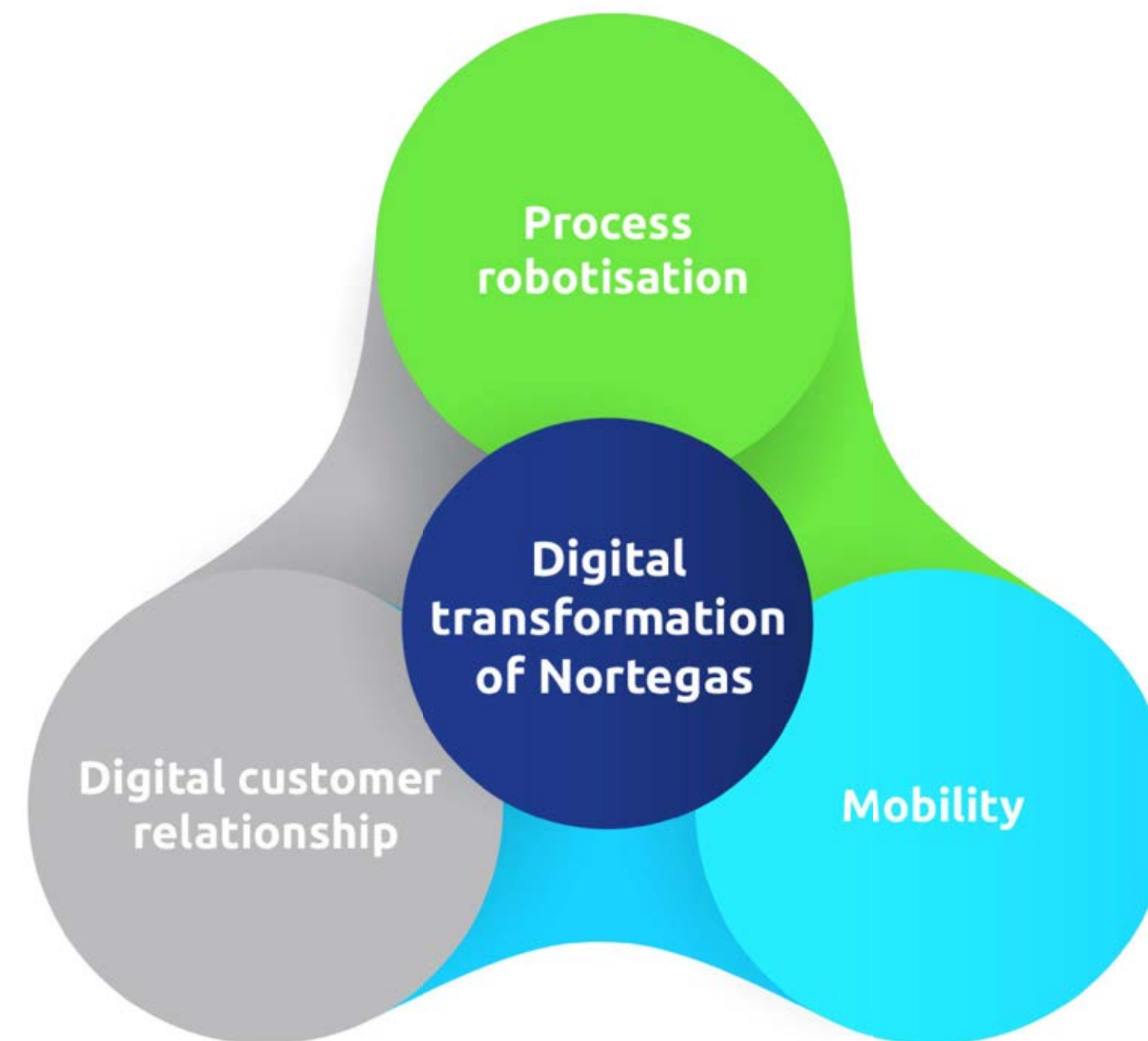
With regard to the robotisation projects implemented previously, in 2023 they have proven to be successful,

optimising the execution of repetitive activities in a more efficient manner. In addition, this year 14 robots have been integrated into the company's operations, which, in addition to improving efficiency, allows for a more robust management of certain processes.

Nortegas has also maintained its mobility applications to facilitate assistance in emergencies and field work to carry out periodic reviews of gas installations, with the ability to remotely control certain contingencies via mobile devices. Given the wide acceptance of these actions, the company is working on the launch of new mobility applications, as well as optimising those already implemented.

On the other hand, Nortegas continues to make progress in different initiatives such as the digitalisation 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 reduction in the number of work trips and paperless initiatives to reduce the use of paper in offices, the implementation of which has led to savings of more than 25,000 kg of paper.

In relation to the implementation of digital technologies in the business, and following the trend



of recent years, Nortegas offers its customers the option of digitising their relationship with the company. Thus, more than 15,300 people have registered through the company's private area, representing an increase of more than 30% over the previous year, and achieving the digitisation of 13,827 customer operations. Along these lines, the company revised its website in 2022 and is currently working on a project to serve customers with hearing problems, as well as on the development of a new customer service channel via the WhatsApp platform.

Furthermore, with a view to the future, the company is working on strengthening its data warehouse and data analytics, which is proving successful in terms of data optimisation and is a key tool in the exploitation of the information obtained through its digital solutions. Nortegas also has ambitious digitalisation projects around smart meters and the internet of things, for which 2024 is expected to be a key year for piloting. The organisation is also making progress in the development of a plan for those systems that require an update of their IT architecture, guaranteeing at all times the continuity of daily operations without interruptions. In addition, Nortegas will incorporate new operational processes, for example related to pur-

chasing, accounting or tracking, and will work on the interface of the different applications to achieve an interconnected digital ecosystem.

In this line, Nortegas will continue to work on improving its technological leadership, exploring different functionalities that could extend the digitalisation of networks and improve the efficiency and security of supply, as well as the environmental footprint of the business. In its efforts to align itself with technological trends, the company is also researching new tools such as artificial intelligence to integrate it into its systems and thus boost efficiency and innovation in all its processes.

DIGITISATION OF OPERATIONS			
	2021	2022	2023
Customer registrations through the private area of the website	6,307	11,462	15,304
Web operations	8,040	11,997	13,827
Robotic processes	12	14	14

A woman with long brown hair, wearing a light blue sweater and dark pants, is sitting on a mossy log in a lush green forest. She is looking up at the tall trees with a serene expression. The sunlight filters through the dense foliage, creating a warm and peaceful atmosphere.

5_ “E” – Environmental dimension

5.1. Climate change

In the fight against climate change, Nortegas is positioned as a key player in contributing to the energy transition. Its commitment to the circular economy and the decarbonisation of the industrial and domestic sector reflects its efforts to minimise its environmental footprint, an aspect that the organisation continues to reinforce year after year.

Nortegas has implemented a set of strategies in recent years aimed at minimising its environmental impact, especially with regard to its carbon footprint. Fugitive methane emissions from the gas distribution network are one of the company’s main sources of greenhouse gas emissions and are therefore conditioned by the technical limitations of the facilities. Considering both Scope 1 fugitive emissions (at own

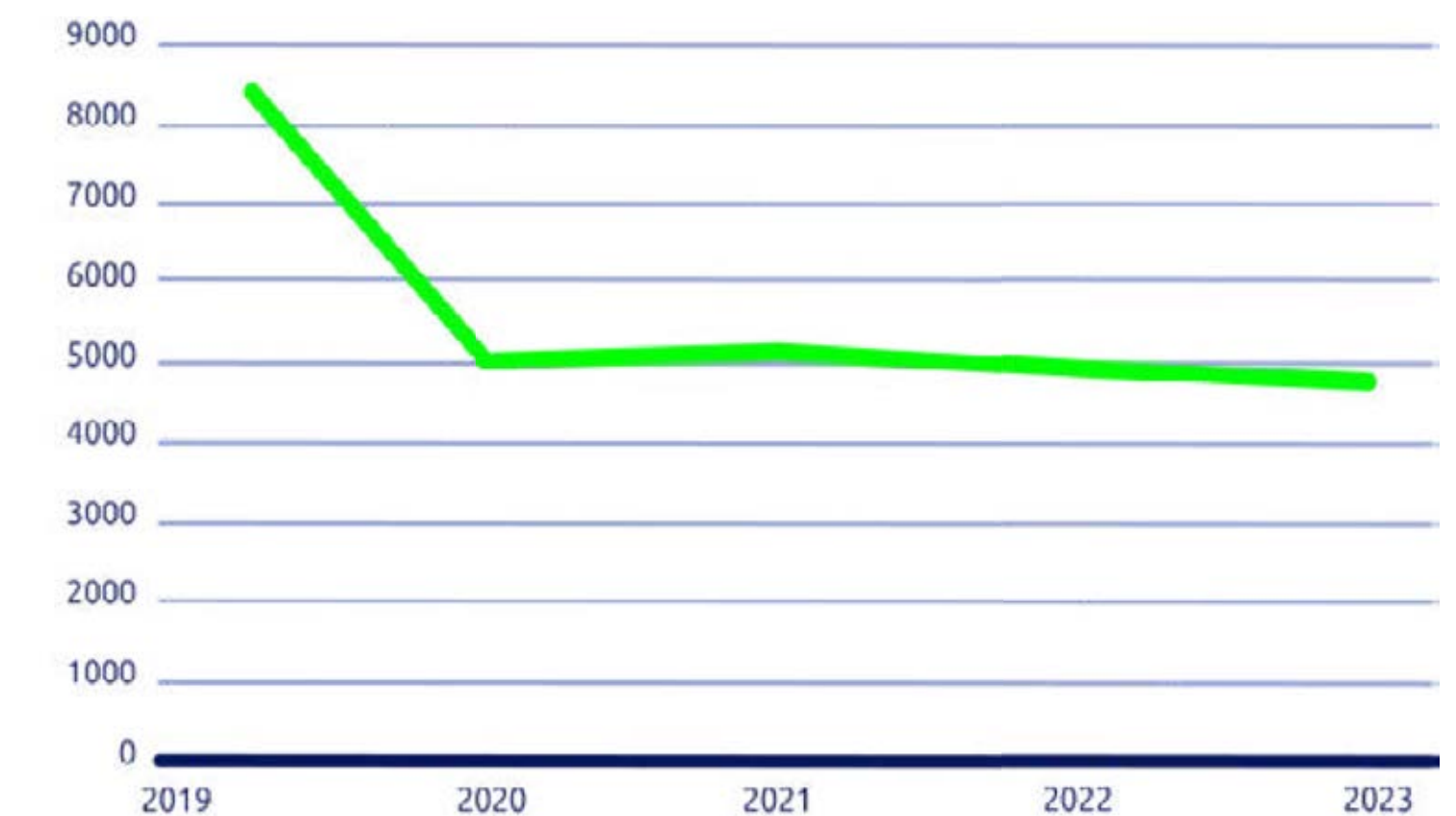
facilities) and Scope 3 fugitive emissions (at customer facilities), these emissions account for 92% of Nortegas’ total carbon footprint.

“Nortegas has implemented an intensive monitoring programme in those areas whose network elements are most susceptible to leakage.”

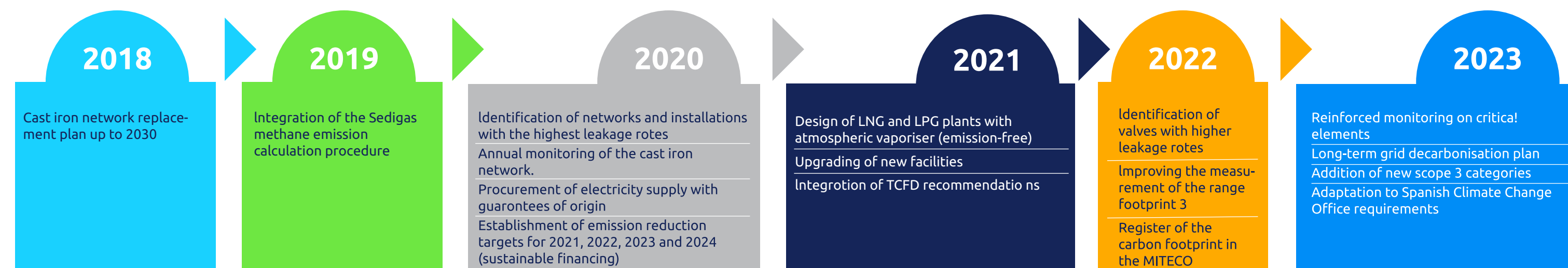
In this regard, the main action implemented by Nortegas has been to intensify the detection and repair of leaks, a practice already ingrained in the company and which has been reinforced since 2020. In addition to checking the network annually, exceeding the biannual requirements establi-

shed by the regulations, Nortegas has increased the frequency of monitoring to six months at the most critical points detected. This is complemented by an exhaustive leak repair plan integrated into the corrective maintenance programme.

HISTORICAL DEVELOPMENT OF FUGITIVE EMISSIONS IN SCOPE 1



“Thanks to the control and efficiency of its own processes and design standards, the company has reduced its scope 1 and 2 footprint by 48% since 2019.”



In relation to its Scope 2 emissions, Nortegas has managed to offset them through renewable certificates for its electricity consumption. Thanks to improvements in metering systems, the scope 1 and 2 emissions recorded in 2023 represent an annual reduction of 47.5% and 99.7%, respectively, from the base year, 2019.

Combined, the scope 1 and 2 emission reductions from the base year 2019 are 48%, significantly exceeding the reductions projected by international bodies such as the Science Based Targets initiative (12.3%) and the One Earth Climate Model (17.3%) for the period. Thus, Nortegas’ 2023 Scope 1 and 2 emissions levels in 2023 represent an advance of between 9 and 13 years, respectively, on the emissions reduction pathway of these institutions. The company has also far exceeded its own emissions reduction targets, set out in the sustainable financing framework, achieving a 36% decrease compared to the target of 25% compared to the average for 2018, 2019 and 2020.

.....
“Nortegas’ energy infrastructure, prepared to incorporate renewable gases, together with its new business activities, will reduce Scope 3 emissions.”
.....

With respect to Scope 3, Nortegas has significantly improved its environmental accounting processes. Specifically, the company has expanded its inventory from six categories in 2019 to more than ten currently registered scope 3 sources. Thus, Nortegas has expanded its emissions accounting to categories such as indirect emissions from transport, waste management or subcontracted services. This is in addition to the improved calculation of fugitive emissions at customer sites, the main source of GHG emissions according to the footprint calculation. In addition, in 2023, emissions from the boiler room transformation activity carried out by Nortegas Green Energy Solutions SL. U and NGES Instalaciones y Energía (NGESIE) have been included in the scope. This continuous

improvement reflects the company’s commitment to transparency and the fight against climate change. In this regard, Nortegas has registered its carbon footprint in 2023 for the second consecutive year with the Spanish Office for Climate Change, part of the Ministry for Ecological Transition and the Demographic Challenge.

At the corporate level, Nortegas has intensified its internal carbon footprint training programme in 2023, which includes mandatory components. The aim of these trainings, which have seen an increase in participation compared to previous years, is to raise awareness of sustainability and emissions reduction at all levels of the organisation.

TCFD Framework

Nortegas has integrated climate change into its risk management processes, implementing the TCFD recommendations by 2021. Throughout this section, details are provided on governance processes, strategy, risk management and metrics and targets.

Governance

Recommendation 1a) Board oversight of climate-related risks and opportunities

Sustainability is a key pillar for the Board of Directors. In the area of climate change, the Board of Directors has driven a strategy to maximise the opportunities linked to the energy transition and minimise the physical and transitional climate risks.

Through the Nortegas Strategic Plan, the Board is committed to business lines focused on renewable gases and the decarbonising potential of the gas distribution infrastructure, such as NGV solutions or boiler replacement. The involvement of the Board of Directors is reflected, for example, through the supervision of business decisions (such as acquisitions, approval of budgets and CAPEX plans, among others), as well as the approval of targets. Furthermore, Nortegas' financial strategy has been monitored and approved by the Board of Directors, including the pursuit of sustainable financing linked to emission reduction targets, among other ESG objectives.

In this line, the members of the Board of Directors are regularly informed of Nortegas' climate performance and strategy, as climate change is integra-

ted into the organisation through its incorporation into the company's risk map. In this way, the Board of Directors constantly monitors Nortegas' climate progress as well as its progress against its strategic objectives related to climate change.

Recommendation 1b) Management's role in assessing climate risks and opportunities

Due to its strategic importance, climate change has been integrated into the internal processes of all areas of Nortegas. An example of this is the commercial development of new businesses linked to the energy transition, the constant regulatory monitoring, the new biomethane department created this year or the integration of emission reduction criteria in financial planning.

The assessment of climate-related risks and opportunities is the responsibility of the risk area, which validates its analysis with the Executive Committee. Along these lines, the Audit Committee and subsequently the Board of Directors assume responsibility for monitoring risks and opportunities, including climate-related aspects.

In this regard, in 2021, an in-depth analysis was carried out with a time horizon of 2025, 2030 and 2050, which is monitored by the risk department and scaled to its reporting lines on an annual basis.

Strategy

Recommendation 2a) Climate change risks and opportunities in the short, medium and long-term

Nortegas has carried out an identification of the main risks and opportunities associated with climate change. The analysis was based 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, which consider the impact of climate change through policy, regulation, technology and markets.

The physical risk scenario has been designed using historical meteorological information from public sources, as well as assumptions according to the assets most exposed to these risks. For the transition risks, Nortegas has focused on European regulatory aspects (such as the Green Pact and the Fit for 55) and the emissions pathway established therein, as well as regulation at national level (trend scenario and PNIEC target).

In terms of identifying opportunities, Nortegas has relied on transition scenarios, focusing on regulatory developments at both European and national level, such as the Green Pact, the PNIEC, the Climate Change and Energy Transition Act, the EU Emissions Trading Scheme, the Hydrogen and Biomethane Roadmaps and the RePowerEU. In addition to these sources, the company has used additional literature references based on market and technology development, as well as other reputational assumptions.

As a result, the priority risks identified in the analysis were decarbonisation regulations affecting the industrial sector, the increase in average winter temperatures and the stigmatisation of the sector, among others. With regard to opportunities, all those related to renewable gases are a priority.

Recommendation 2b) Impact of climate risks and opportunities on business, strategy and financial planning

The economic quantification model developed by Nortegas for climate risks and opportunities with a time horizon of 2025, 2030 and 2050 will guide the company's steps towards the energy transition. This quan-

tification is based on the impact of each of the identified aspects on revenues and operating costs, capital investments, acquisitions or even access to financing.

This analysis of risks and opportunities is also an indispensable input for Nortegas at a strategic level. The identification of climate change as a material issue served a few years ago to reorient and diversify Nortegas' activity, transforming its nature into the company that it has become today.

Recommendation 2c) Resilience of the organisation's strategy considering different climate scenarios

The transformation in which Nortegas has been immersed for some years has been fully implemented with a view to the energy and sustainable transition, making it resilient to a carbon neutral scenario in line with the Paris Agreement and therefore to most transition risks, which are the ones with the highest potential impact. In line with this, the analysis has revealed that most physical risks would have a minor impact on business operations.

The risk and opportunity analysis is now used to guide R&D strategies and investments in CAPEX and business lines. It also serves to reinforce the sustainable financing strategy and to set greenhouse gas emission reduction targets.

Risk management

Recommendation 3a) Organisational processes for identifying and assessing climate risks

To assess the potential impact of the risks, the company has based its assessment on a methodology based on traditional risk management, following the guidelines established by widely used and accepted models such as COSO ERM. Nortegas has thus assessed its inherent risk - by analysing its residual impact - and its probability of occurrence. After this, the company has taken into account its exposure, sensitivity and adaptability to prioritise the most relevant risks. Similarly, it has prioritised opportunities by assessing their potential for exploitation and effectiveness.

This prioritisation has been carried out by characterising each risk and opportunity according to the different regulatory requirements of the established

scenarios (Green Pact and PNIEC, among others), as well as according to the analysis of technological and market development associated with each issue. Thus, the impacts have been quantified for three time scenarios: 2025, 2030 and 2050.

Recommendation 3b) Organisational processes to manage climate-related risks

Once the analysis has been carried out by the risk area, it is validated by the Executive Committee. Subsequently, the main conclusions are escalated to the Audit Committee and the Board of Directors for oversight. This analysis is accompanied by an action plan with the aim of mitigating the main impacts and maximising opportunities, as well as establishing controls and indicators for monitoring. This section also establishes the persons responsible for the different issues, who are in charge of ensuring the governance of the issue in question.

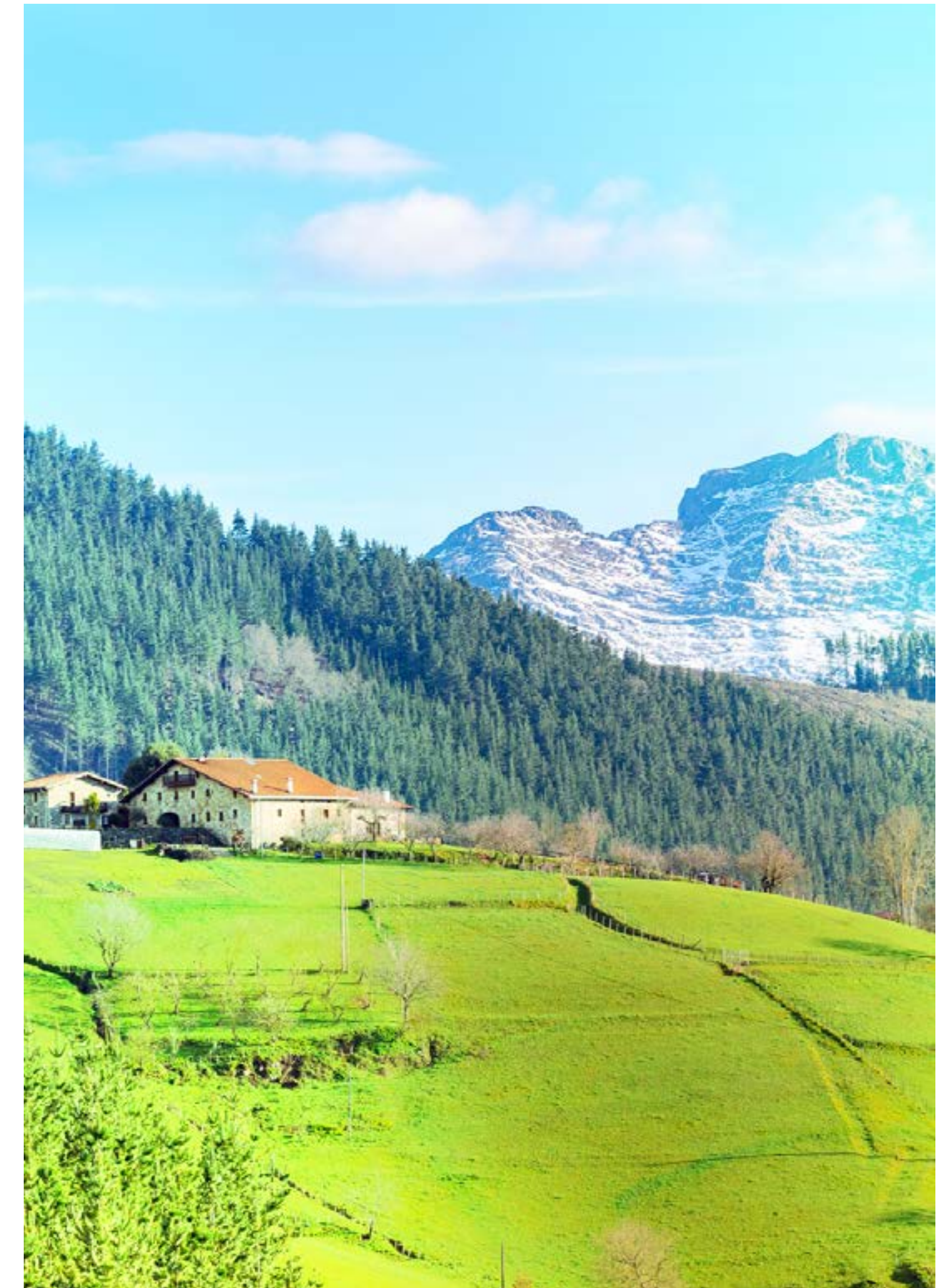
Ultimately, the findings of the analysis inform the update of the company's Strategic Plan and support strategic decision-making.

Recommendation 3c) Integration of processes for identifying, assessing and managing climate risks into the overall risk management of the organisation

The climate risk analysis presented is an extension of Nortegas' general risk analysis, which follows the same management philosophy and is submitted by the risk area to the company's Executive Committee for validation. Similarly, the company's generic risk map is not limited to financial aspects, so that the most relevant non-financial factors have traditionally been considered within its scope, as evidenced by the company's strategic shift towards energy transition.

Metrics and targets

Recommendation 4a) Metrics to assess climate risks and opportunities in line with its strategy and risk management process; and 4b) Scope 1, 2 and 3 GHG emissions, and related risks



GREENHOUSE GAS EMISSIONS (t CO2 e)

	2019	2020	2021	2022	2023	Variation annual	Variation compared to base year 2019
Direct emissions (Scope 1)	8,958	5,378	5,527	5,286	4,685.8	-11.1%	-47.5%
Stationary combustion	116	93	99	73	56.7	-21.2%	-50.8%
Mobile combustion	304	288	285	303	315.94	+4.1%	-3.9%
Fugitive emissions	8.538	4.998	5.144	4,910	4,313.2	-11.8%	-49.3%
Indirect emissions (Scope 2)	159	97	0	0	0.50	N.D.	-99.7%
Electricity consumption	159	97	0	0	0.50	N.D.	-99.7%
Indirect emissions (Scope 3)	1,509.2	2,245.2	6,796.3	20,293.5	10,153.37	N.D.	N.D.
Customer facilities	1,588.7	1,438.5	5,216.5	18,629.3	8,793.69	N.D.	N.D.
Contractors' fuel consumption	-	792.8	770.3	724.6	429.14	N.D.	N.D.
Product logistics	-	-	472.9	502.7	560.08	N.D.	N.D.
Outsourced services	-	-	254.5	179.6	64.09	N.D.	N.D.
"In Itinere" emissions	-	-	-	146.1	151.17	N.D.	N.D.
Transport and distribution of fuels	-	-	74.0	79.4	75.78	N.D.	N.D.
Business travel	-	7.1	6.5	28.7	64.48	N.D.	N.D.
Paper	-	5.3	0.4	2.0	1.33	N.D.	N.D.
Postal transport	-	1.0	1.0	0.9	0.84	N.D.	N.D.
Water consumption	0.6	0.4	0.2	0.2	0.37	N.D.	N.D.
Waste management	-	-	0.1	0.0	12	N.D.	N.D.
Total emissions (scope 1+2)	9,117	5,475	5,527	5,286	4,686.33	-11.3%	-48.6%
Total emissions (scope 1+2+3)	10,626	7,721	12,323	25,579	14,839.7	N.D.	N.D

Note: Scope 3 footprint data have been subject to improvements in accounting in recent years, so the data are not comparable with each other (see example of customer installations). An emission factor associated with methane of 27.9 according to the latest IPCC report has been used for the calculation.

Recommendation 4c) Targets for managing climate risks and opportunities and performance against them

Considering 2019 as the base year, Nortegas has managed to reduce its Scope 1 and 2 footprint considerably, with the reduction achieved exceeding the targets set by the decarbonisation pathways established by organisations such as the Science Based Targets initiative (SBTi) or the One Earth Climate Model (OECM).

However, Nortegas has specific decarbonisation targets that go further and are aligned with its sustainable financing. Thus, the company aims to reduce its Scope 1 and 2 emissions annually with respect to the average emissions in the period 2018-2020.

OBJECTIVES OF NORTEGAS

Scope	1+2
Baseline	Average emissions 2018-2020
Reduction pathway 2022-2024	5% annual reduction
Reduction target 2023	25% reduction
Reduction achieved in 2023	36% reduction
Total reduction planned for 2024	29% compared to the average for the period 2018-2020

Science-based targets verified by an independent third party.

Energy efficiency and climate change adaptation

Nortegas’ plan to reduce emissions and combat climate change, with initiatives focused on improving energy efficiency, achieving stability in its energy consumption in recent years. Nortegas is now a more responsible and conscious organisation, which has managed to reduce natural gas and electricity consumption levels by more than 7% and 19% respectively by 2021.

ENERGY CONSUMPTION (MWh)

	2021	2022	2023	Variation 2022-2023
Natural gas consumption	1,437.6	1,437.4	1,332.2	-7.3%
Work-offices	435.7	262.2	218.8	-16.5%
LNG plants	130.5	67.7	71.42	+5.5%
NGV	949.3	1.076,3	1.021,5	-5,1%
Regulation and measurement stations (ERM)	41.5	31.2	20.53	-34.2%
Electricity consumption	646.1	535.6	518.77	-3.1%
Workplaces	510.2	419.7	400.8	-4.5%
LNG/LPG plants	130.9	111.8	113.2	+1.3%
Regulation and measurement stations (ERM)	5.0	4.2	4.8	13.6%
Fuel consumption	327.9	358.5	562.45	+36%
Total consumption	2,411.6	2,331.4	2,413.4	+3.5%

Note: Until 2022, electricity consumption data in the category “workplaces” were presented broken down into “maintenance centres” and “offices”. To maintain comparability, the data shown in the table for these years has been adjusted according to the new methodology adopted in 2023.
7 Climate change and floods, Ministry for Ecological Transition and the Demographic Challenge.
8 Flooding mapping of the Autonomous Community of the Basque Country, Open Data Euskadi.

In 2018, Nortegas took part in a study promoted by the Basque Government, the result of which was a “non-significant” assessment of the impact of adverse climate change phenomena on the company’s assets in the event of different scenarios of a global increase in the average temperature. The findings of the study allowed the public administration to confirm that Nortegas’ energy infrastructures, which are essential for the Basque Autonomous Community, are prepared to face the consequences of global warming, maintaining operability even in the face of extreme climatic phenomena. The potential difficulties arising from these severe scenarios would be mainly related to mobility to reach installations and certain communications.

Nortegas infrastructures in the rest of the business lines and regions have similar conditions and, therefore, the impact on them is not considered significant either. In addition, a proprietary analysis carried out by Nortegas based on the mapping of the Ministry of Ecological Transition7 and the Basque Government8 reveals that more than 80% of the network is not located in areas at risk of flooding, and that those that are have a high capacity to adapt to climate change. Nevertheless, as part of its Climate Change

Adaptation Plan, the company has included various layers in the GIS tool of its environmental viewer in order to assess the flooding of its infrastructures in critical areas, such as river and coastal areas.

5.2. Biodiversity and ecosystems

“Most of Nortegas’ operations do not impact biodiversity or ecosystems.”

Following the underground installation of the distribution pipelines, their impact on the ecosystem is considered to be nil. With regard to biodiversity, Nortegas rigorously complies with the licence conditions for the works it carries out in areas of special protection. These conditions consist mainly of the replacement of the vegetation cover, annual cleaning of the route and the regulatory surveillance and monitoring actions included in the company’s maintenance plan.

Most of the interventions carried out by Nortegas take place in urban areas, avoiding building in protected natural spaces except in exceptional cases due to phy-

sical impossibility, always with the due environmental authorisations required by law. However, 313 km of network - around 4% of Nortegas’ total network - and 228 facilities currently cross or are located - although not in all cases at the time of construction or installation - in protected areas or areas of high biodiversity value, although there are no operations centres within these areas. In any case, the company’s overhead facilities, LPG tanks and hydrogen network in no case affect protected natural environments.

Despite this, Nortegas remains committed to biodiversity conservation, adapting a due diligence approach based on the preservation of ecosystems in the areas where it operates.

Digitisation of environmental management

“The Nortegas environmental viewer prioritises digitisation and strategic planning to ensure the protection of biodiversity.”

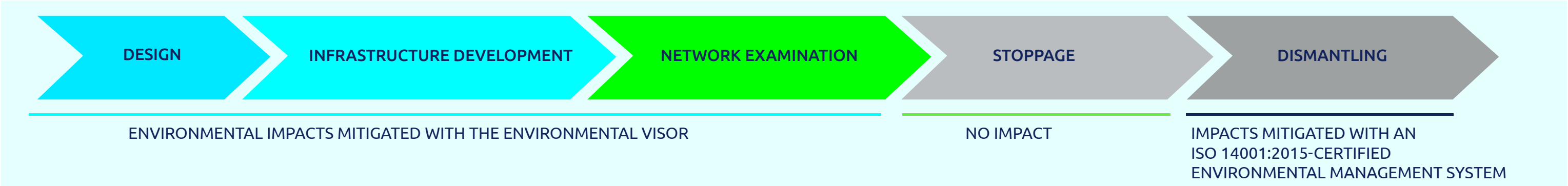
The environmental viewer is Nortegas’ own tool that includes all the effects in the areas where the company operates. The platform makes it possible to digitise the management of the network from its initial planning phases, through its design, construction and commissioning, to the operation phase. This process makes it possible to identify and mitigate possible risks in interventions, as well as to improve emergency response.

Although it is not a material issue, Nortegas prevents any potential impact on biodiversity due to the nature of its business. Thus, although gas distribution does not form part of the catalogue of activities with a potential impact on biodiversity and soil contaminants, Nortegas analyses on an annual basis all possible impacts on water, soil, flora and fauna, atmospheric emissions, waste, noise (an aspect on which a specific campaign was carried out with 100% compliance), storage of chemical products, spills, leaks and spillages, and energy consumption.

ATMOSPHERIC EMISSIONS (kg) ⁹	2021	2022	2023
SO _x	833.1	929.0	1,151.6
Emissions of NO _x	337.8	368.9	566.7
Emissions of PM _{2.5}	5.9	2.6	17.9

⁹ These emissions originate from the vehicle fleet.

LIFE CYCLE ANALYSIS OF INFRASTRUCTURE AND ENVIRONMENTAL IMPACT STRATEGY OF NORTEGAS



5.3. Resource management and circular economy

“Nortegas recovers 100% of its waste and, together with the promotion of biomethane, seeks to position itself as a leader in circularity in its value chain.”

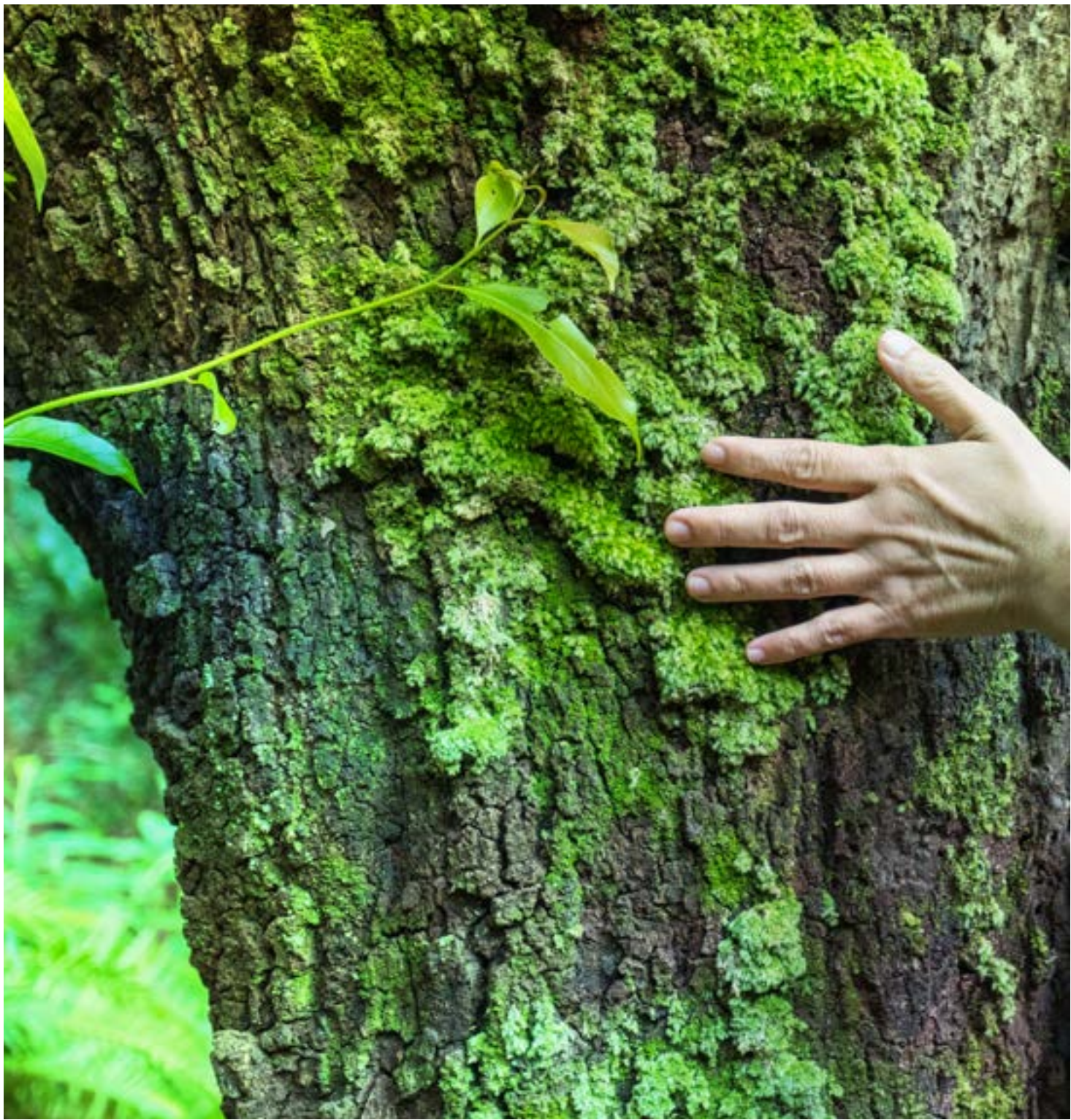
The company considers it essential for the energy sector to become an agent of change in all spheres of sustainability, and is therefore also committed to aspects such as the circularity of resources.

In addition to seeking to make the most of waste from strategic business initiatives with solutions such as biomethane, Nortegas implements initiatives aimed at promoting operational excellence. Thus, the company’s main impact in this area is associated with the management of waste from civil works necessary for the development or maintenance of the gas network. Given that these are one-off interventions, Nortegas prioritises the correct management of the waste generated. In addition, Nortegas’ environmental mana-

gement system covers all its centres at under the ISO 14001:2015 Standard, which includes the sustainable use of resources and waste minimisation.

As a result of these actions, Nortegas has managed to recover 100% of its generated waste, both non-hazardous and hazardous, by 2023. Furthermore, in its commitment to waste reduction, Nortegas has avoided the generation of more than 500 tonnes compared to 2022 (-4.4%). Nortegas’ excellence in this area is partly explained by the reuse of material from excavations in the restitution of land in mechanical works operations, which involve large earthworks.

WASTE (tonnes)	2021	2022	2023	Variation 2022-2023
Non-hazardous waste	2.3	4.7	11.5	+153.2%*
Hazardous waste	0.5	0.3	0.4	+33.3%
Construction and demolition waste (CDW)	19,787.8	12,132.5	11,588	-4.5%
Total waste	19,790.6	12,137.5	11,620	-5.1%
Total recovered waste	19,790.6	12,137.5	11,620	-4.4%
CDR per metre of constructed network	0.58	0.68	1. 36	+100%



The circular economy is a strategic priority for Nortegas, starting with the Board of Directors, which monitors both fuel consumption and the volume of waste generated through the Health and Safety and Environment Committee.

With regard to water, its use is limited exclusively to the work centres - with water coming from the

municipal supply networks - as Nortegas does not use water resources in its production processes nor does it generate discharges. Although water consumption is not a material issue for the company, Nortegas is committed to rationalisation and efficiency in its use. Thus, it permanently monitors water consumption in its offices and works to reduce its use to a minimum. Due to the geographical location of Nortegas’ activities, there is no water consumption in areas of water stress.

WATER CONSUMPTION (m³)	Variation		
	2021	2022	2023
Workplaces	887	1,104	1,828*
LNG/LPG plants	242	109	249
Total consumption	1,129	1,213	2,077

Note: Until 2022, water consumption data in the category “workplaces” were presented broken down into “maintenance centres” and “offices”. To maintain comparability, the data shown in the table for these years have been adjusted according to the new methodology adopted in 2023.

(*) Increase due to a localised leak at the Vitorialanda work centre.





6_ “S” – Social dimension

6.1. Talent

“Nortegas’ most valuable asset is its professionals, who through their work, experience, knowledge, effort and dedication turn new challenges into opportunities.”

In its efforts to contribute value to society and address the strategic challenges that are essential for business continuity, Nortegas is deeply committed to talent management. Thus, the company continues to strive to promote a balance between the work, personal and family life of its professionals, in addition to promoting the well-being of all the people in the team.

Within the company, talent management is fundamental to the sustainable growth strategy. The continuous training plan not only seeks to improve internal knowledge management to facilitate its transfer and dissemination, but also to foster innovation and adaptability in a dynamic business environment. In

addition, these training pathways include technical competencies as well as leadership and change management skills, which are essential for the achievement of organisational objectives. These initiatives are designed to align the workforce with Nortegas’ corporate values and competencies, promoting a culture of continuous improvement and operational excellence.

The integration of ESG criteria is one of the company’s basic pillars, which entails constantly re-evaluating processes in all areas. Following the approval of the Diversity, Equity and Inclusion strategy, Nortegas continues to strive to ensure equal opportunities for all its professionals.

“Attracting, developing, retaining and integrating talent are the four principles of the Human Resources Policy established by Nortegas.”

In this regard, the new Human Resources Policy approved in 2023 applies to all employees belonging

to any of the Nortegas Group companies. The Policy aims to attract, develop and retain talent while promoting diversity, facilitating the professional development, well-being and participation of all employees, aligning their interests with the strategic objectives of Nortegas.

“Nortegas actively and constantly listens to its professionals.”

Following the last work climate survey carried out in 2022, with 76% participation and an average employee satisfaction rating of 7.1 out of 10, Nortegas continues to work on integrating the employee’s voice through direct listening channels.

On the other hand, in 2023 Nortegas has implemented a robust internal communication strategy. Among other actions, it is worth highlighting the increase in the frequency of press releases, the update of organisation charts and the promotion of news about new incorporations and promotions within the company.

The commitment of Nortegas’ professionals is reflected in an unwanted turnover rate of only 0.9% in 2023, de-

monstrating a team that is largely stable and dedicated to the organisation. This figure also highlights the work done by Nortegas to retain its team. However, the main challenge facing the company in this area is the impending generational change internally.

TURNOVER AND SATISFACTION	2021	2022	2023
Unwanted turnover (%)	1.4	0.9	0.9

“The people who make up the Nortegas team are the key to its continued success in a constantly evolving market.”

On an annual basis, the company draws up the staff training plan based on the strategic corporate needs and the particular demands of the different areas of the company. This plan is open to employee requests, thus ensuring that it is oriented towards both professional and personal growth, and also ensuring that it is aligned with the specific requirements of each position. This holistic approach has made the plan a key component for the company, highlighting the essential role of reskilling and upskilling in the success of its strategic transformation.

In a clear indicator of its commitment to staff development, Nortegas has provided 30 hours of training per professional in the last year. This represents an average investment in training of 501 euros per person.

TRAINING AND CAPACITY BUILDING	2021	2022	2023
Training provided (hours)	6,484	8,022	7,601
Training per professional (hours)	28.9	35	30
Training expenditure per professional	574	674	501

The training actions developed throughout 2023, in line with the work carried out in previous years, have focused on the aspects that are most important for Nortegas. Thus, training has mainly focused on improving technical skills, occupational risk prevention (ORP) and cybersecurity. After the incorporation in 2022 of aspects related to diversity, equity and inclusion in the training path for the entire workforce, aspects such as disability, diversity selection and inclusive leadership have once again become highly relevant in 2023. On the other hand, in line with the company’s commitment to promote sound governance from a compliance perspective, Nortegas has also trained professionals in compliance during the year.

Nortegas is constantly evolving, and proof of this is the constant search for and incorporation of highly

AVERAGE TRAINING BY GENDER (HOURS)	2021	2022	2023
Man	32,3	34,3	27,8
Woman	26,4	36,9	33,7

Note: The data includes in its scope the Nortegas Group with the exception of INERSA Ingeniería Energética, S.L. for the years 2021 and 2022.

qualified technological profiles. This reflects its commitment to the development of key strategic initiatives and the company’s sustainable growth. In recent years, Nortegas has incorporated professionals specialising in renewable gases and digital infrastructure, thus reinforcing the company’s commitment to sustainability and digital transition. On the other hand, Nortegas continues to promote local development and stable, quality employment through permanent hiring, with a total of 17 new employees joining the company in 2023.

NEW RECRUITMENTS (NO.)	2021	2022	2023
Staff additions	6	19	17

“Nortegas has strengthened its talent attraction and recruitment strategy in 2023, significantly improving its presence as an employer brand.”

As a novelty, throughout the year Nortegas launched the first phase of its talent attraction programme, participating in forums and job fairs and establishing alliances with universities and training centres, particularly in collaboration with the University of the Basque Country and the School of Engineers of the Bilbao Official College of Engineers. In addition, in close collaboration with the human resources, communication and marketing departments, the company has strengthened its presence on social networks to improve its image as an employer brand.

“The company has successfully implemented a new induction process for new recruits to strengthen the connection of new recruits to the Nortegas culture, which is a milestone in 2023.”

The generational transition faced by Nortegas faces several challenges, among them the loyalty and transfer of knowledge in the company. In 2023, Nortegas has begun to implement the first phase of the design of a leadership model that aims to define the type of profile required for the strategic adaptation of the organisation. Due to its scope, the programme will be addressed over the coming years 2024 and 2025, and its main objective will be to ensure the permanence of critical knowledge in the firm and promote the development of the competencies of the company’s future leaders. The implementation of this first phase of the model lays the foundations for the cultural transformation of Nortegas, and has been launched with the participation of various

professionals in team building activities, workshops, focus groups and personalised interviews. These actions, aimed especially at people who manage work teams, have served to analyse their skills, knowledge and experience with a view to defining the figure of the future managers of Nortegas. Thus, the company reaffirms the role of the people who make up the team as the cornerstone of the cultural change in which the company is immersed.

“The Nortegas leadership model seeks to train the company’s future leaders and encourage their access to positions of greater responsibility.”

On the other hand, the Next Generation development programme, launched by Nortegas in 2021 with the aim of investing in internal talent in view of the generational change the company is facing, came to an end last June. As a result, of the five innovative projects presented in the framework of this programme, two of them have been selected to continue their development for the future.

PROMOTIONS (Nº)	2021	2022	2023
Promoted professionals	6	6	4
Promoted women	3	2	1
Promoted men	3	4	3

Diversity, equity and inclusion

“Nortegas values and respects the distinctive qualities and characteristics of each person in order to attract talent, emphasising a sense of identity and commitment.”

Nortegas, aware of the unique qualities and attributes of each individual, strives to recognise and respect them (age, gender culture, disability, lifestyle, experience, etc.), and fosters an environment in which everyone can fulfil their potential. This approach seeks to attract talent, emphasising a sense of identity, commitment and recognition by different stakeholders.

Nortegas ensures that all its professionals have equal opportunities in terms of employment, training, promotion and professional development. With this objective in mind, monitoring is carried out to combat any form of discrimination and active policies are implemented to prevent and eradicate any possible discrimination that may arise due to gender, marital status, age, origin or any other circumstance. For this reason, Nortegas integrates considerations relating to this area in its Human Resources Policy, in its Code of Ethics and in the collective bargaining agreement.

“Nortegas reinforces its social responsibility strategy by signing the Diversity Charter in Spain.”

Diversity, equity and inclusion (DEI) are the social driver in the company’s ESG framework. Nortegas has taken a significant step in this direction by signing the Diversity Charter in Spain in 2023, an initiative pro-

NUMBER OF PROFESSIONALS WITH PERMANENT CONTRACTS BY GENDER AND PROFESSIONAL CATEGORY

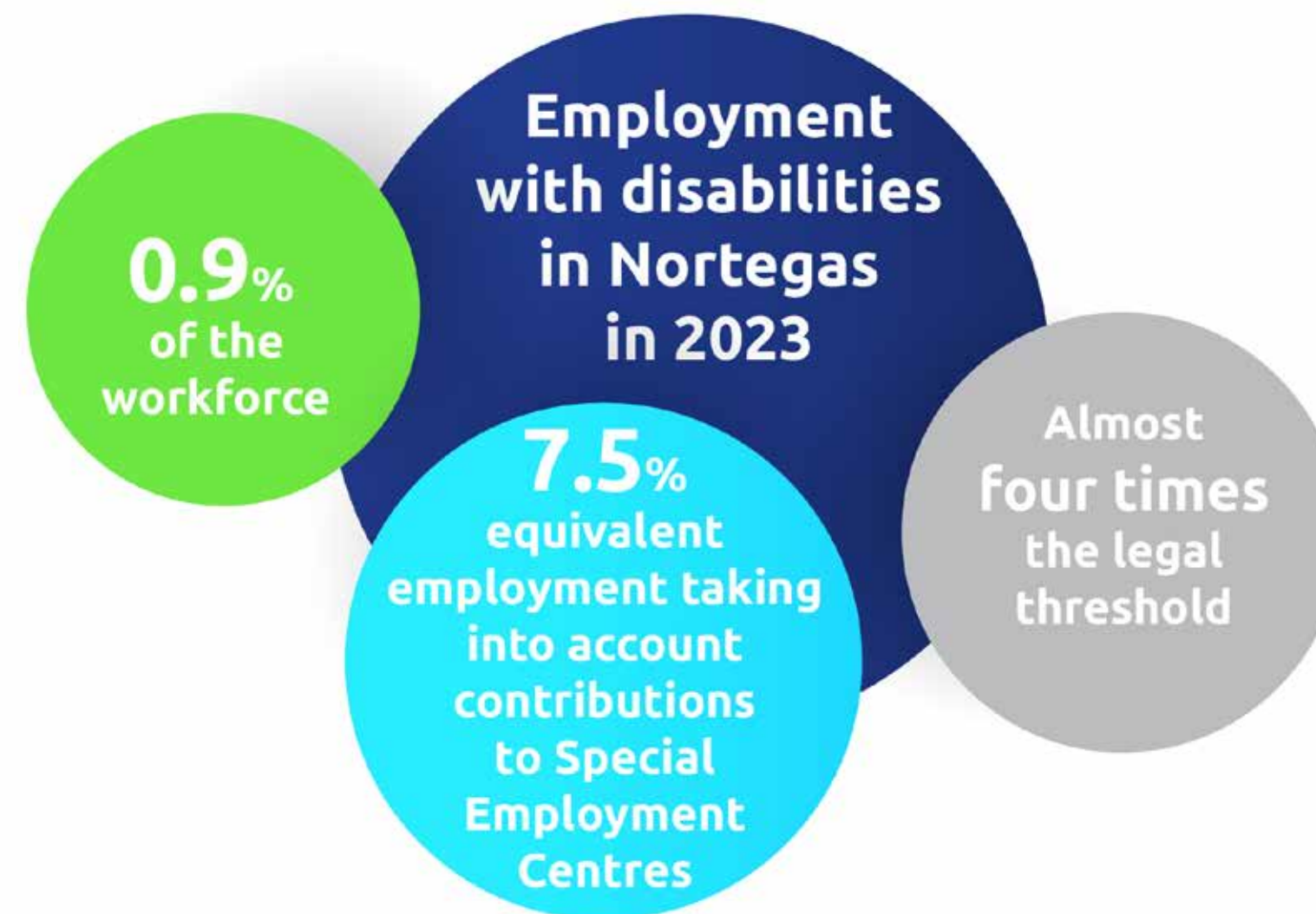
Professional category	2021			2022			2023		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Operational Technician	15	21	36	15	20	35	15	20	35
Support technician	21	13	34	21	12	33	22	12	34
Senior technician	54	21	75	54	24	78	64	27	91
Responsible	21	14	35	18	19	21	23	21	44
Head of Department	6	10	16	8	11	19	12	10	22
Director	17	5	22	18	7	25	18	8	26
Total	134	84	218	134	93	227	152	100	252

6_“S” – Social dimension

moted by the European Commission. This milestone underlines the firm’s dedication to promoting a respectful working environment open to diversity in all its forms. By adhering to the principles of this Charter, Nortegas is committed to implementing policies that ensure equal opportunities and treatment for all its professionals, reinforcing its social responsibility strategy and its alignment with the Sustainable Development Goals (SDGs).

On the other hand, Nortegas is actively committed to the inclusion of people with disabilities in the workplace, both through direct recruitment and through collaboration with Special Employment Centres. The company strives to ensure that these professionals can access their jobs and carry out their work in a safe and inclusive environment, as well as participate fully in all corporate activities. Although currently 0.9% of its workforce is made up of people with disabilities, Nortegas’ contributions to Special Employment Centres bring the equivalent percentage of disabled professionals to 7.5%.

In 2023, the remuneration of professionals at Nortegas included variable components linked to op-



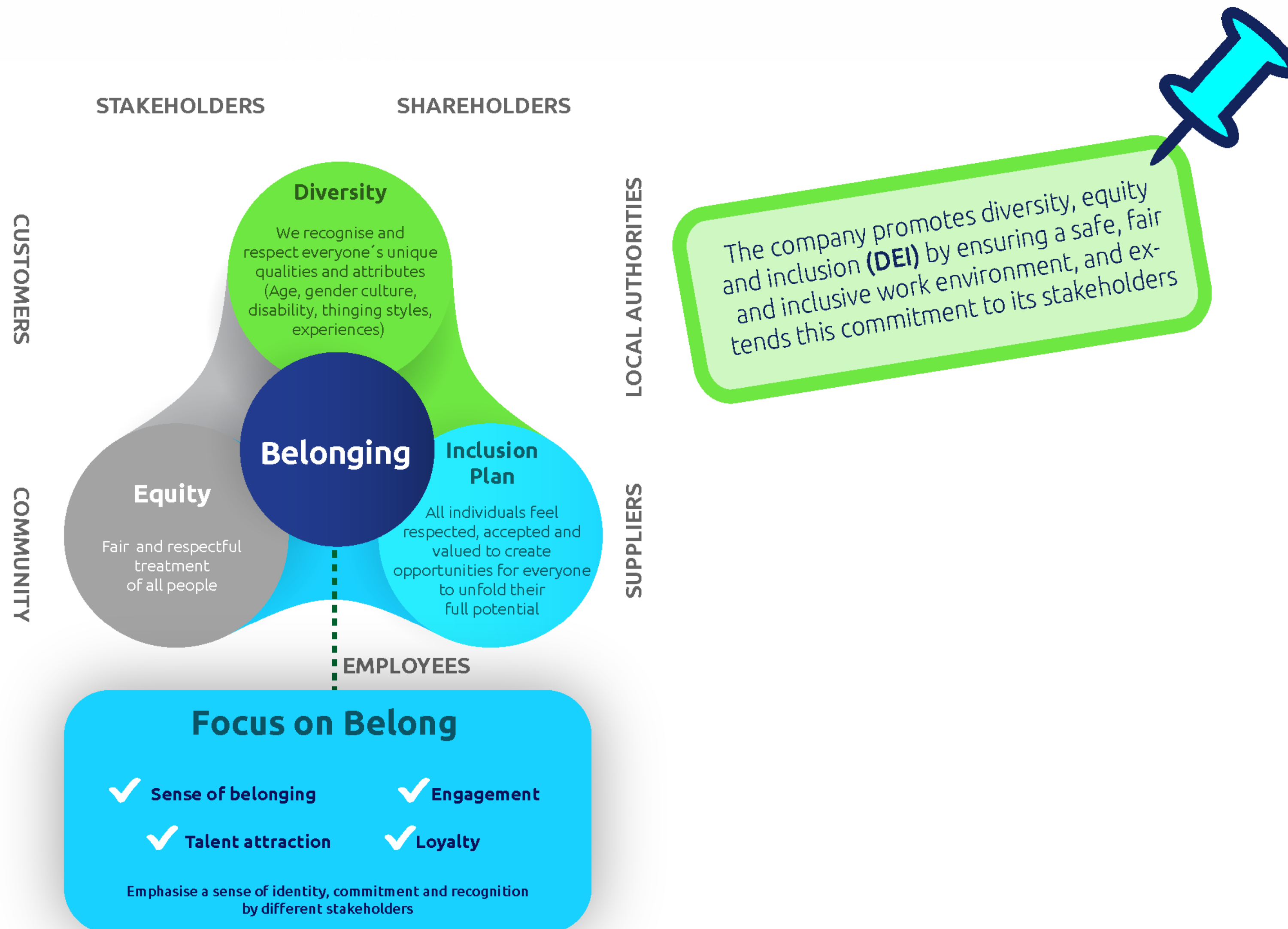
erational criteria and other performance indicators, especially those linked to health and safety criteria. Throughout its history, Nortegas has undergone several phases of evolution, including mergers and acquisitions, which have contributed to the salary differences observed within the organisation.

However, the company has strived to reduce these disparities by moving towards a more equitable and robust compensation model. This transition reflects Nortegas’ commitment to adapting to the market and promoting fair and sustainable labour practices.

“The company promotes diversity, equity and inclusion (DEI) by ensuring a safe, fair and inclusive work environment, and extends this commitment to its stakeholders.”

The DEI Strategy aims to reinforce the sense of identity, commitment and recognition among the different stakeholders related to Nortegas’ business activity, thus strengthening its corporate culture and fostering a more inclusive and diverse working environment.

6_“S” – Social dimension



Diversity, Equity and Inclusion Plan

Through this strategy, the organisation promotes safe and equal working environments, ensuring equal treatment regardless of gender, race, age or social status.

“Nortegas will launch a DEI maturity study in 2024.”

Thus, the DEI Strategy has consolidated Nortegas' commitment to diversity, equity and inclusion, having resulted in the implementation of an extensive training programme, various awareness-raising initiatives and the establishment of defined objectives for team leaders. Nortegas plans the coming year as a year of evaluation and reflection on the progress achieved. To this end, it will carry out a maturity study in collaboration with the Adecco Foundation, with the aim of analysing current progress and defining the next steps to further strengthen these initiatives within the organisation. As a result, this study will provide an action plan adapted to Nortegas and the KPIs linked to it.

Family-friendly company

“Nortegas prioritises the well-being at work of its employees, focusing on internal value development and active listening to guide their decisions.”

The management of mental health and work-life balance in companies emerged as one of the major lessons learned in the aftermath of the pandemic. Nortegas places the well-being at work of its professionals at the heart of its decisions and, aware of the impact of these aspects on the health and satisfaction of the workforce, is committed to promoting active listening and the promotion of internal values.

As a sign of its involvement, Nortegas has voluntarily opted for recognition as a family-friendly company (efr), obtaining the seal issued by the Másfamilia Foundation after passing an external audit in 2022 and verification of its maintenance in 2023. The certification highlights the company’s progress in promoting a responsible and respectful working environment, balance in personal,

family and professional life, and the promotion of the human and social development of its professionals, with more than 50 work-life balance measures.

Obtaining this certification reflects Nortegas’ commitment to continuous improvement in terms of work-life balance and flexibility, which is also supported at all levels of the organisation. The aim of this approach is to implement practices aimed at fostering and disseminating an efficiency-based and results-oriented culture, while promoting a fairer and more equitable society.

MATERNITY AND PARENTAL LEAVE

	2021		2022		2023	
	Men	Women	Men	Women	Men	Women
Professionals entitled to maternal and parental leave	3	3	2	0	2	0
Professionals on maternity and parental leave	3	3	2	0	2	0
Professionals who have returned to work after leave	3	3	2	0	2	0
Professionals who have returned and are still at work one year later	3	3	2	0	2	0
Return to work and retention rates of professionals on leave (%)	100	100	100	100	100	100

Labour rights and benefits

“With mental health as one of the major emerging challenges, the aim is to promote a work-life balance for professionals.”

Nortegas promotes the well-being of its team by offering a wide range of incentives and benefits such as the flexible compensation plan, which ranges from nursery and food vouchers to the purchase of computer equipment or private health

6_“S” – Social dimension

insurance. It also makes available to professionals scholarships, aid and services such as the pension plan, which has a high percentage of adherence (94% of the workforce). Similarly, to encourage family reconciliation, Nortegas offers flexibility in the working day, allowing professionals to choose their start and finish times. In this regard, 11 professionals have taken reduced working hours this year for legal guardianship, which represents 4.7% of the workforce, and the two employees who took parental leave have returned to their jobs.

The company is committed to the continuous improvement of the well-being of its professionals

beyond the rights and benefits of employment. Thus, since 2022, new risks have been integrated into medical check-ups related to emotional health, stress and workloads, among others. In 2023, Nortegas made two major advances in this regard. In addition to launching a digital disconnection protocol, the company has implemented a teleworking policy in the second half of the year, offering two modalities. This improvement in labour flexibility is driven by the signing in 2023 of the collective bargaining agreement.

Nortegas focuses on creating a humanistic and agile working environment, prioritising the work-

life balance of its team. To this end, it makes a constant effort to listen to and understand the needs of the people who make up the workforce. Nortegas implements other measures to constantly communicate the progress of the business to its employees and thus ensure that their vision is represented in decision-making. In this respect, initiatives such as the managers' convention or the visits of members of the Executive Committee to work centres on a regular basis stand out.



6.2. Occupational health and safety

“Nortegas operates within a preventive culture that ensures regulatory compliance and makes safety and prevention an integrated part of the decision making process”.

The company's management is defined by its commitment to the safety of all the people who make up the Nortegas ecosystem. This commitment is materialised by ensuring compliance with safety standards and promoting safety training programmes to ensure a healthy working environment and mitigate the risks associated with the company's operations for employees, contractors, consumers and communities.

In this regard, the Health and Safety and Environment Committee is the body in charge of monitoring occupational safety indicators for both employees and contractors, as well as priority health and safety issues. Given its strategic importance, the sustainability management, the management of the

regulated business and the Executive Committee also have oversight responsibilities in this area. In addition, the Board receives regular reports on health and safety developments.

Regulatory compliance is the company's strategic axis in terms of health and safety. For this reason, Nortegas dedicates the necessary resources and carries out audits, inspections and preventive observations to guarantee the safety of its operations. These measures are part of the Nortegas occupational health and safety management system, certified under the ISO 45001:2018 Occupational Health and Safety Management Systems Standard. This management system covers the operations of Nortegas Energía Grupo, Nortegas Energía Distribución, NED España Distribución Gas, Tolosa Gas and NED Suministro GLP. Moreover, Nortegas promotes its Health and Safety Policy with the ambitious objective of maintaining zero accidents in all the company's operations.

Occupational safety is fundamental to Nortegas, and this is reflected in the ESG criteria established in the framework of its sustainable financing. The company has thus linked specific targets related to the accident frequency and severity rate to the conditions of its financing.

Health and safety of professionals

“Nortegas is a company recognised for its achievements in the safety and health of its employees, maintaining yet another year of zero accidents in its operations.”

During the year 2023, the company has maintained the successful track record it has been demonstrating in recent years by once again achieving very favourable results in terms of the safety of its staff. It has succeeded in reducing the number of accidents without sick leave, coming significantly closer to its goal of zero accidents. It is also the fourth consecutive year that Nortegas has recorded zero lost-time accidents among its personnel. In recognition of the efforts made in this area, Nortegas has been awarded in 2023 with the Annual COASHIQ Awards for Safety Management, which aim to encourage the improvement of global preventive action in the Spanish gas sector.

ACCIDENTS AND ABSENTEEISM

		2021	2022	2023
Total	Frequency of occupational accidents of own employees and subcontractors	0	0,32	0
	Severity of occupational accidents of own employees and subcontractors	0	0,14	0
Own	Accidents with sick leave	0	0	0
	Accidents with sick leave on the way to and from work	0	0	0
	Accidents without sick leave	0	1	1
	Accidents without sick leave in itinere	0	4	1
Subcontractors	Accidents with sick leave	0	3	0
	Accidents with sick leave on the way to and from work	0	0	0
	Accidents without sick leave	0	1	0
	Accidents without sick leave in itinere	0	0	0
	Absenteeism rate (%)	3,55	6	6,34
	Total hours worked	1.009.742	938.813	868.640
	Own staff hours	372.085	355.363	370.284
	Subcontractor staff hours	638.617	583.449	498.3565

Note: Frequency rate = No. of accidents with sick leave / Total no. of hours worked.
Severity rate = No. of days of sick leave / Hours worked * 1,000.

Along these lines, the company has developed a wide range of procedures to ensure safety in its operations. These are set out in work instructions (TI), which clearly detail how tasks must be carried out to avoid damage, and in technical specifications, which define the procedures in the safety conditions of contractors. In addition, Nortegas implements specific procedures in the area of occupational risk prevention, thus reinforcing the preventive safety approach.

New this year, changes to procedures and specifications have been introduced to ensure the safety of both internal staff and contractors. Specifically, the company has begun to record near-misses or near-accidents involving the personnel of collaborating companies, identifying two cases during 2023. In addition, during this year a new framework contract was initiated with the company SGS to provide Nortegas with a new document management platform for the Coordination of Business Activities with collaborating companies and their subcontractors.

“The preventive culture that guides Nortegas’ decisions is integrated into the objectives of the professionals and is materialised in specific training plans.”

Part of the employees’ variable remuneration is linked to the achievement of targets related to the number of accidents, incidents in own vehicles, the frequency rate or compliance with the Preventive Safety Observation Plan (PSO). Therefore, for some years now, it has been established that employees carry out at least one PSO per year as part of their performance objectives.

Another of the main levers for guaranteeing the safety of operations is prevention training for the Nortegas workforce. In line with regulatory requirements, the management and the prevention service plan annually the preventive activities to be implemented, subject to the approval of the Health and Safety Committee. Annually, the company reviews and updates the

job matrix, which determines the mandatory training that workers must receive based on the risks associated with each position and the supervisory responsibilities of its own and subcontracted personnel. Over the last few years, the workforce has been trained in prevention topics such as first aid and OPS, regardless of their professional category. It should be noted that Nortegas ended the year with 100% of the workforce trained in fire prevention, and this year it has established training programme agreements in fire prevention with the Zaragoza Fire Department and the Aragon Fire Department Foundation for maintenance personnel in Vizcaya.

“In 2023, fire prevention has been incorporated into the training itinerary for all staff.”

On the other hand, the expansion of the company’s focus towards new businesses has implied the adoption of additional safety measures in emerging areas. In this context, specific theoretical training was provided during the year for professionals involved in the hydrogen business.

Another fundamental pillar of Nortegas’ commitment to the safety of all people is the identification of work-related hazards. The risk assessment methodology set by the Ministry of Labour and Social Economy is used to assess risks on a routine basis.

Qualified technical personnel in occupational risk prevention (ORP) are responsible for identifying this type of risk, following legal guidelines, and internal procedures agreed with the prevention service. Nortegas is committed to carrying out a routine review of 100% of risk assessments at least every four years as part of this process. However, preventive reviews or specific risk assessments related to certain activities are also carried out according to internal needs. Assessments of activities considered high risk focus on protection against explosive atmosphere (also known as ATEX) risks, confined spaces and working at heights due to the nature of the company’s activity.

To complement the aforementioned training actions, in 2023 Nortegas has established an occupational risk prevention (ORP) training programme aimed at all office staff. Furthermore, the company’s growth, driven by the opening of new businesses and recent re-

gulatory developments, has led to the identification of new risks associated with the incipient biomethane and hydrogen activities.

“Professionals have safe channels of communication to express their concerns related to safety and health at work.”

Nortegas offers its employees various tools to establish communication with both their supervisors and the ORP team, in compliance with the framework established by the Code of Ethics and the Health and Safety Committee, which guarantees their protection. Apart from a specific email address, employees have access to a form on the intranet to contact the ORP area, as well as the PROSAFETY tool. In recent years, the use of this channel for reporting incidents by employees has been encouraged in order to improve safety conditions in the immediate environment. During 2023, a total of 319 communications have been received between preventive observations, safety inspections, incidents and risk communications. In the event of an incident, a colla-

borative investigation is carried out by the prevention service and the health and safety area. While the prevention service leads the investigation, the Health and Safety Committee must be informed in order to analyse the causes and define action plans and preventive measures.

COMMUNICATIONS	2023
Precautionary safety remarks	258
Security inspections	31
Incidents	25
Accidents	2
Risk Communications	3
Total communications received	319

Health and safety in the supply chain

Nortegas’ supply chain focuses on the provision of technical services associated with the distribution of natural gas and the marketing of LPG. The management of contractual relations with Nortegas’ contractors is the responsibility of the purchasing area. The various services critical to the continuity of the business include the execution of works, maintenance and monitoring of networks, the review of gas installations and other essential cross-cutting aspects for the organisation. In this regard, it should be no-

ted that the company has renewed those contracts that have reached their expiry date in 2023, starting new contracts from 2024 with durations adjusted to the needs of each service. While the traditional gas distribution business is the most demanding of these services due to its level of maturity, the innovative approach the company has taken towards the integration of new businesses with the opening of the new biomethane unit has given rise to a new sphere of suppliers. In response to this, the purchasing area is already working on adapting its processes to meet the new needs around renewable gases that will emerge in the coming years.

.....
“The relationship between Nortegas and its suppliers is governed by the General Terms and Conditions, which include technical and ESG aspects.”
.....

The management of the Nortegas supply chain is part of the company’s quality management system based on the UNE-EN ISO 9001:2015 Standard. The relationship with contractors and suppliers



is governed by the General Terms and Conditions (GTC). The GCC cover technical and ESG criteria, including labour, OHS, social, tax, environmental, confidentiality and insurance obligations, among others. The documentation for tendering processes is supplemented by additional technical specifications of the business units as part of the technical requirements. Suppliers must adhere to established purchasing conditions or a commercial contract validated by the company, thus ensuring that all purchasing operations respect Nortegas’ fundamental principles.

Nortegas uses external tools to ensure network performance and reduce financial and ESG risks in its supply chain. These support tools enable it to obtain detailed information and access to supplier ratings. In this respect, Achilles Repro provides detailed assessments of the supplier in question from an ESG perspective.

.....
“Nortegas extends its Code of Ethics to suppliers to promote good practices throughout its supply chain.”
.....

The Nortegas Code of Ethics also applies to contractors, to whom the company’s anti-corruption policies are communicated, along with all other business partners.

The purchasing process is governed by technical specifications and instructions and is activated with the definition of the technical requirements by the business units, which evaluate the proposals received. The purchasing department leads the negotiation, award proposal - subject to the approval of the purchasing management and the corresponding business unit - and management of the contracting of those suppliers that have passed the technical validation. If necessary, the company’s legal services area may also be involved. The professionals involved in the procurement process must be aware of the Code of Ethics and follow the fundamental principles set out in the Procurement Manual.

INDIRECT EMPLOYMENT*.	2021	2022	2023
Subcontractors (FTEs)	540	540	487

**Considering regulated business.*

If an incident occurs with a contractor, the contractor’s prevention service is responsible for leading the investigation with the active collaboration of Nortegas, which will coordinate with the contractor’s ma-

nager to implement the appropriate measures. In addition, Nortegas uses an internal tool to monitor contractors’ health and safety compliance by compiling the information, training and protective equipment requirements that contractors must provide to their workers. This leads to regular follow-up meetings to share lessons learned, encourage coordination and look for areas for improvement.

Security of users and local communities

Nortegas extends its commitment to safety beyond its own employees to consumers and local communities in the areas where it operates. This commitment is reflected in the guarantee of protection at supply points and on public roads, where the company carries out various tasks.

The safety conditions for these stakeholders are clearly defined by current legislation - due to the fact that this is a highly regulated process - to guarantee the well-being of all parties involved. In particular, the legislation applicable to the Nortegas service is set out in Royal Decree (RD) 1434/2002, RD 919/2006, RD 1027/2007, UNE 60670 and UNE 60601 Standards, RD 984/2015 and Decree 125/2016 of the

Basque Country.

Nortegas carries out an annual inspection plan to guarantee the safety of its infrastructures, including:

- Field audits on a sample of Zone Office performances.
- Audits of correct completion on a sample of the documentation registered by the Zone Offices.
- Administrative controls to ensure the correct document management of the actions of the Area Offices.
- OPSs on a sampling of Area Office performances.

INFRASTRUCTURE INSPECTIONS

	2021	2022	2023
Audit of field uptakes with favourable outcome (%)	99,5	99,9	99,8
Audit of periodic inspections with favourable result (%)	97,6	98,3	98,9
OPS technical services (no.)	136	118	30
Customer satisfaction on discharge inspection (0-10)	9,0	8,7	8,9
Customer satisfaction on periodic inspection (0-10)	9,0	8,8	8,7

6.3. Social action

Nortegas actively promotes the participation of its team in social action initiatives to contribute to social welfare, foster pride in belonging among its workforce and improve the corporate image at a reputational level. With this triple objective, the company has focused its social strategy in 2023 on aspects related to diversity, equity and inclusion (DEI). Thus, throughout the year, Nortegas has vindicated the potential of corporate volunteering as a key lever to help build more diverse and inclusive organisations..



Awareness raising and training

This year, the company has carried out training actions on aspects such as disability, generational diversity, inclusive leadership for the entire workforce, as well as training in the selection of professionals with disabilities and other types of diversity aimed at the human resources and diversity, equity and inclusion teams.

In total, more than 800 hours of training have been registered in 2023 through more than 15 training actions, with a total of more than 200 employees trained throughout this process.

ImplicAcción

“Nortegas’ corporate volunteering programme, ImplicAcción, currently has more than 470 direct beneficiaries.”

In 2022, Nortegas launched ImplicAcción, its corporate volunteering programme developed from an analysis of trends and internal feedback obtained through focus groups and interviews. The project seeks to generate positive impacts on the environment, support for vulnerable groups and the education and training development of people, demonstrating the company’s commitment to social responsibility and community action.

Within the framework of this programme, which has been strengthened in 2023, Nortegas has organised 14 volunteering actions, extending participation to the value chain, including family members of the workforce and professionals. Thus, in 2023 ImplicAcción involved a total of 121 volunteers (with 80 unique volunteers, of which 72.5% are employees and 27.5% family and friends who joined the initiatives).

The time dedicated by volunteers to this initiative amounts to 256.5 hours in total, 53% more than the previous year. It should be noted that Nortegas offers 20 hours per employee per year that professionals can dedicate to corporate volunteering, encouraging increased participation and involvement of the workforce.

SOCIAL ACTION

	2021	2022	2023
Corporate volunteering initiatives(nº)	8	4	14
Participants in the initiatives	81	78	121*

**Including family members of employees who have participated in the initiatives.*

In total, these initiatives have more than 479 direct beneficiaries, i.e. people who are being directly supported through Nortegas’ corporate volunteering actions. Overall, 9 alliances have been made with social entities and organisations to carry out these initiatives. Through these actions, the company seeks to reinforce empathy and enrich the vision of professionals about the world and the different realities that make it up. In addition, corporate volunteering is a tool for channelling diversity and inclusion within Nortegas.

Itaka Foundation

“13 young migrants in vulnerable situations have gained access to the labour market thanks to Nortegas’ Itaka programme.”

Nortegas has carried out in 2023, together with the Itaka Foundation, the second edition of the programme for the labour insertion of young migrants in situation of extreme vulnerability. In these two years, Nortegas has funded several training pathways, being in 2023 the certificate of professionalism ENAS0110 “Assembly, commissioning, maintenance, inspection, maintenance and repair” and inspection of reception installations and equipment of gas”.



6 students have completed their internships at Nortegas, specifically in the area of maintenance of Vizcaya and Álava. Of the participants, 13 young people have gained access to the labour market and have started to with the regularisation process, thus culminating in the main objective of the programme.

In this second edition, Nortegas has also involved the workforce in the programme through the participation of volunteers. Thus, professionals from the Digital Transformation area have taught part of the content required for the certificate of professionalism in digital skills. Participants in the Itaka programme have also visited the company’s facilities, such as the H2 SAREA project and the gas plant. The success of the programme, therefore, lies in the constant support provided by Nortegas and the practical approach adopted in the training itinerary, thus avoiding the premature abandonment of the training by the young participants.

In addition, and thanks to the feedback received from companies’ partners on specific needs in this area, Sedigas has this year joined the project to train participants in “Certification Premium”. Within the framework of this alliance, Sedigas has funded training and access to the exam of this certification to the five most outstanding students of the pro-

motion, which may enable them to thus acquiring a higher degree of professional specialization highly valuable in the gas sector.

Other initiatives

Nortegas focuses on supporting groups at risk of exclusion, with a special focus on children, and on fostering social awareness among its professionals. Thus, the company prioritises actions that benefit these groups and promotes the participation of the workforce in social action activities, among which the following stand out:

- Donation to Cocina Económica de Oviedo: Nortegas recognises the social work of the Cocina Económica de Oviedo at the annual meeting of Afoncasa, Asociación de Empresarios de Fontanería, Calefacción, Saneamientos y afines del Principado de Asturias.
- Donation for the campaign to collect toys for children in collaboration with the Spanish Red Cross, with the total participation of 34 Nortegas employees.
- Donation to UNICEF: through the solidarity drawing competition, Nortegas made a donation to the Spanish Committee of UNICEF for children affected by armed conflicts.

- Donation to ACIMET (National Association of Methylmalonic Acidemia and relatives with Methylmalonic Acidemia): donation to a family member of a Nortegas employee, who won the Christmas card competition and chose this association to which the donation was donated in order to contribute to research into her granddaughter’s illness.

DONATIONS MADE (EUROS)

	2021	2022	2023
Donations from Nortegas	72.000	78.700	52.010
Donations by Nortegas professionals in company initiatives	2.040	1.403	1.290

External acknowledgements

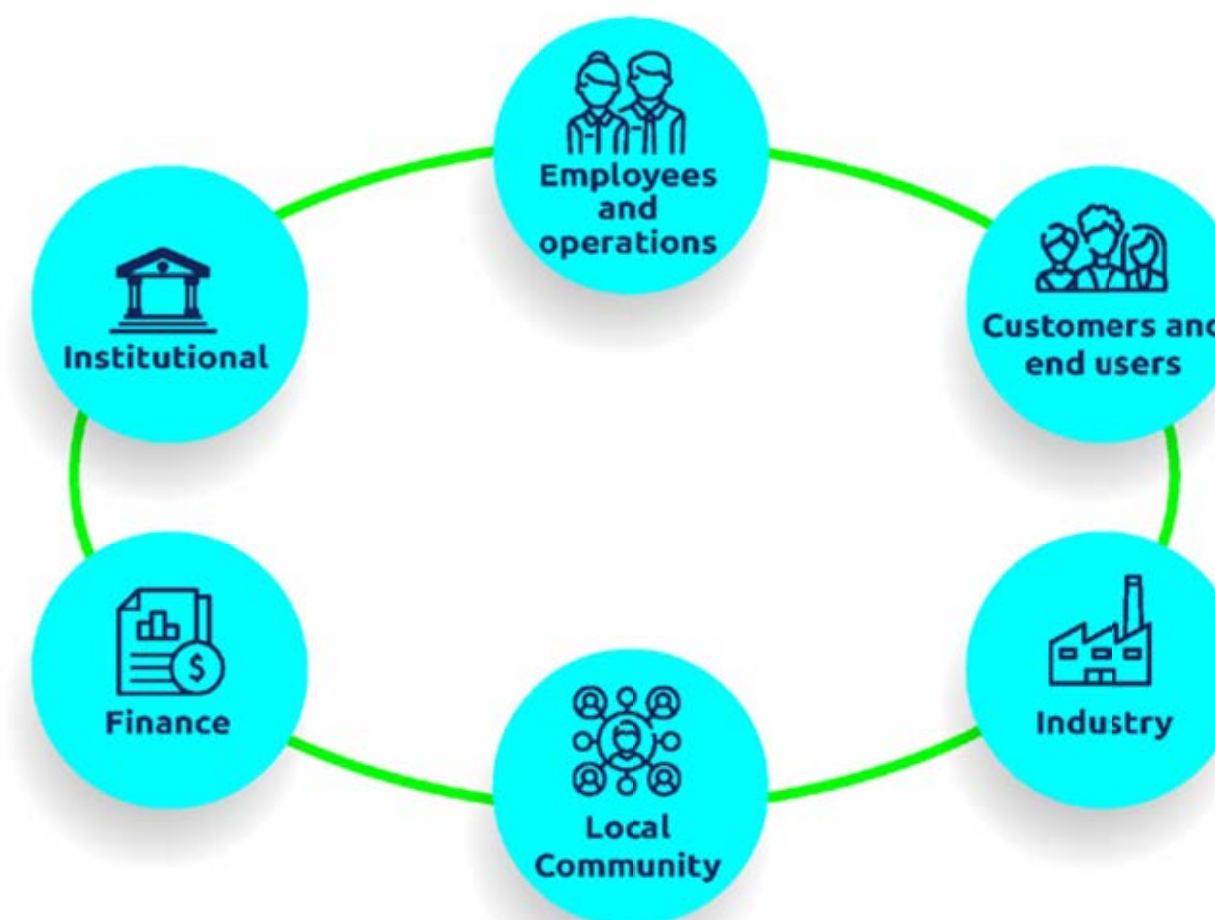
On 18 December, at the annual conference on “Corporate volunteering: an opportunity for companies to connect their commitment to sustainability”, organised by CEBEK (Business Confederation of Bizkaia), Nortegas was recognised for its good practice in corporate commitment to volunteering in 2023. The award was presented by the Deputy for Economic Promotion of the Provincial Council of Bizkaia. The award recognises the work of all Nortegas volunteers and the high level of participation by the team in these initiatives.

6.4. Stakeholder relations

“Nortegas, a key player in the energy transition, aligns the expectations of its stakeholders to generate a positive impact on the communities in which it operates.”

Nortegas plays a crucial role as a meeting point for the needs of various stakeholders, constituting a fundamental pillar in the energy transition and in the provision of universal access to energy. As such, its influence extends both economically, socially and environmentally in the regions where it operates. Thus, the organisation emphasises the integration of sustainability in its processes, with the sustainability area coordinating the efforts of the different departments towards the creation of a positive and sustainable impact, considering the expectations of all its stakeholders in decision-making.

“The company establishes open communication channels for communities, through which it obtains the social licence to operate.”



The company prioritises dialogue with local communities to learn about their opinions, expectations and needs, seeking to align them with its business objectives. In this sense, the creation of sustainable and

shared value, as well as the establishment of open communication channels, are crucial aspects for obtaining the social licence that legitimises Nortegas' activities in the eyes of the different stakeholders.

- **Employees and operations:** Nortegas emphasises the importance of knowledge of the market, regulation and technologies for operational excellence, based on the competence of its professionals. The health, safety and well-being of the workforce, both directly and indirectly, are vital to its success. To this end, the company conducts surveys and focus groups on issues identified by professionals to listen and respond to their needs, addressing challenges such as generational transition and the development of internal knowledge.

- **Customers and end users:** the company focuses on guaranteeing a quality and uninterrupted energy supply to different customer profiles, ranging from the distribution of natural gas to the distribution and supply of LPG and NGV and, in the medium term, biomethane and hydrogen. To this end, it attaches particular importance to maintaining effective communication channels with customers and end users, thereby strengthening the relationship and ensuring customer satisfaction.



- **Industry:** industry is a key player for the company both for its economic impact and its role in the energy transition. Nortegas' collaboration with this sector is fundamental due to its role in energy supply and its commitment to the integration of renewable gases into distribution networks. Through partnerships in innovation projects and the establishment of a direct relationship, Nortegas seeks to understand and meet industrial needs, positioning itself as a key facilitator in the decarbonisation of the industry.
- **Local community:** for Nortegas, it is crucial to minimise negative impacts and generate prosperity in the communities where it operates, which is key

to its social reputation. Thus, its strategy towards stakeholders focuses on active collaboration with local agents, strengthening its presence and contribution in these communities. In this regard, in 2023, 97.94% of the value of purchases certified during the year was analysed. Of the more than 330 suppliers analysed, 60% are local.

- **Financial:** Given Nortegas' business activity, considerable investments are needed to expand its network and drive innovation. The company has succeeded in linking sustainability to its finances, aligning its sustainable objectives with the expectations of its investors, thereby securing the necessary financial backing for its projects.

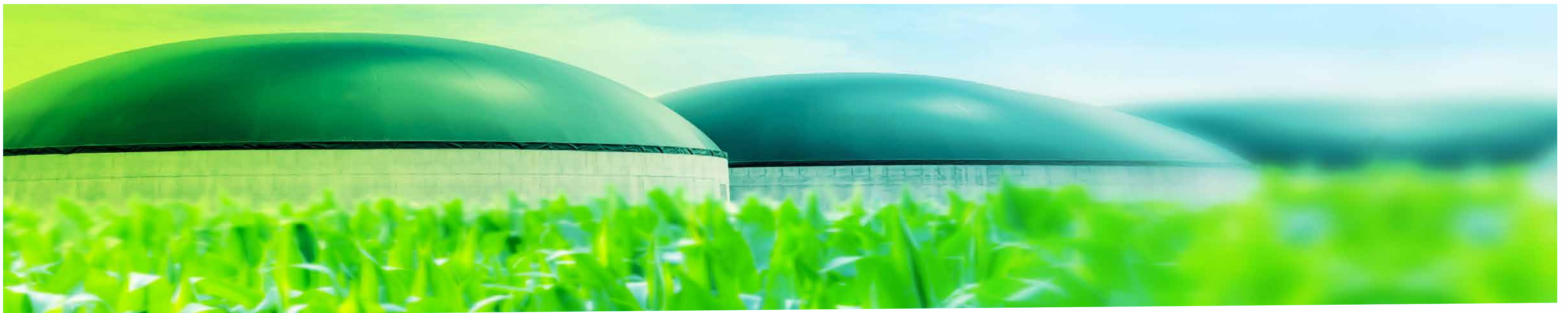
- **Institutional:** Nortegas' relationship with the administrations is fundamental due to the strategic importance of gas distribution for local socio-economic progress. This activity, which is highly regulated and subject to increasing environmental legislation, requires close collaboration with the institutions. In addition, Nortegas plays a consultative role in collaboration with them, contributing to the drafting of policies and regulations, especially in the emerging field of renewable gas networks, thus underlining the importance of its link with the institutional environment.

“Nortegas is committed to incorporating the expectations, needs and opinions of its stakeholders in its decision-making process, ensuring an inclusive and conscious management.”

Nortegas stands out for its proactive approach to stakeholder engagement. Some of the initiatives undertaken include meetings with regulatory bodies to better understand stakeholder needs, internal sessions to identify user and community demands, and constant dialogue with other energy sector stakeholders to detect any service or community issues. These actions reflect Nortegas’ commitment to collaboration and mutual understanding, essential for the continuous improvement of its services and relationships.

Institutional relations

In this sense, Nortegas is a member of the main energy sector associations, participating in Sedigas -through various committees and governing bodies-, and in Gasnam -with the aim of promoting the use of natural and renewable gas in mobility-. Nortegas also actively participates in various associations focused on the development of renewable gases, such as the Spanish Association of H2 , the Energy Cluster of the Basque Country, the Basque H2 Corridor, RECODE, the H2 Board of Cantabria, the Asturian Energy Foundation and the Spanish Biogas Association.



It also highlights Nortegas’ role as an active member of relevant international energy entities. In addition, it is involved in significant projects such as Ready for Hydrogen (R H42) and the European Clean Hydrogen Alliance (ECH2 A), reinforcing its role in advancing hydrogen deployment.

The company is also involved in dialogue with governmental and regulatory bodies - such as the Ministry for Ecological Transition, the Autonomous Communities and the National Markets and Competition Commission (CNMC) - in order to contribute to the development of regulations affecting the gas sector. It represents the natural gas distribution activity in regulated bodies for the analysis, discussion and drafting of regulatory proposals, contributing to working groups for the review of the gas system’s operating rules, for the change of marketer - of the CNMC - and for the development of the injection of biomethane into the network - of the Subdirectorate General for Hydrocarbons. Nortegas also promotes new collaborations to promote R&D projects and connect with its stakeholders.

The company continues to expand its presence at industry events to highlight the growing importan-

ce of renewable gases and distribution infrastructure. In this context, Spain’s position as a potential European hub for the generation and distribution of renewable gases underlines the relevance of Nortegas’ initiatives in this context of accelerated energy transition.

Nortegas focuses its long-term regulatory strategy on creating an environment that allows society to make the most of Spain’s gas infrastructures, encouraging the inclusion of biomethane, hydrogen and other renewable gases in the energy mix. This also includes promoting regulatory developments to facilitate investments in digitalisation and the universal implementation of smart meters in the distribution network, thereby boosting its efficiency and capacity to support the transition to a cleaner and more efficient energy system.

6.5. Cybersecurity and information protection

“The culture of cybersecurity is a key aspect for Nortegas, which is why it is committed to training and raising the awareness of its professionals in this area.”

The Digital Transition Plan implemented by the company includes cybersecurity as one of the actions on which it will continue to focus in the long term. In this regard, and as part of the strategic initiatives, Nortegas has invested in staff training and awareness, as well as in the incorporation of external talent with the aim of strengthening the company’s digital infrastructure.

The Nortegas cybersecurity governance model is structured around the CISO and the Cybersecurity Committee, which are responsible for implementing the initiatives defined. The cybersecurity officers report regularly to the Board of Directors on the status of the organisation, the implementation

of cybersecurity measures, and the progress of the cybersecurity training and awareness plan.

The governance structure was completed with the approval of the Cybersecurity Policy, which sets out a statement of Nortegas’ information security intentions. The Cybersecurity Committee is responsible for its implementation and for reporting to the governance bodies on the robustness of the system and possible improvement measures.

Nortegas is highly aware of the need to develop a lasting, stable and solid cybersecurity culture. In this regard, the implementation of teleworking thanks to the new work-life balance measures has been accompanied by new training sessions for the maintenance of the organisation’s digital security and for the prevention of serious incidents. During 2023, 22 different training actions were carried out and 59 cybersecurity-specific online best practice pills and tips were issued to each employee.

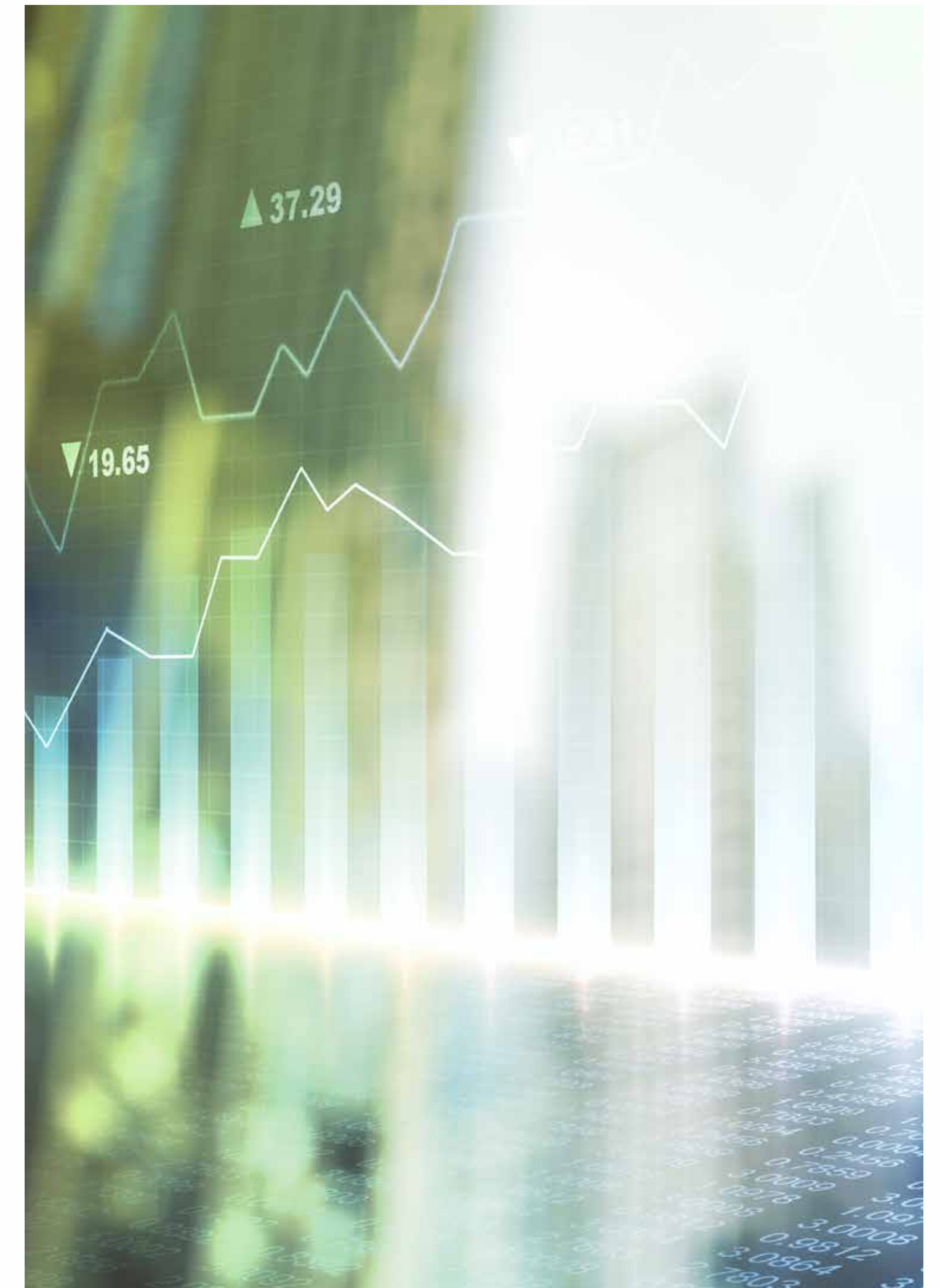
6.6. Tax contribution

Nortegas’ activity has a significant impact on the Spanish tax system. Thus, Nortegas has contributed

directly to the tax system with more than 9.7 million euros in revenue in 2023. This contribution not only reflects the company’s financial commitment, but also highlights its role as an indirect economic driver through its operations and purchases from suppliers, generating a pull effect on the economy and a positive impact on the value chain.

Nortegas’ tax management model follows the principles of strict compliance with tax regulations, proactive collaboration with the tax administration, transparency in its operations and recurrent analysis of both positive and negative impacts in tax matters. In this sense, it is a solid and responsible model.

This tax strategy not only underlines Nortegas’ direct and indirect contribution to the public purse, but also highlights the activity and investment the company makes through its taxation in almost 400 municipalities. This is clear evidence of Nortegas’ commitment to local development and social welfare. By adopting this approach, the company fulfils its tax obligations. However, it goes further by actively driving economic and social progress in the communities in which it operates, reaffirming its role as a key player in the sustainable energy transition.



A person with a red backpack stands on the peak of a jagged, brown rock formation. Below the rock is a vast, white sea of clouds. The sky above is a deep blue with wispy white clouds. The overall scene conveys a sense of achievement and looking out over a vast landscape.

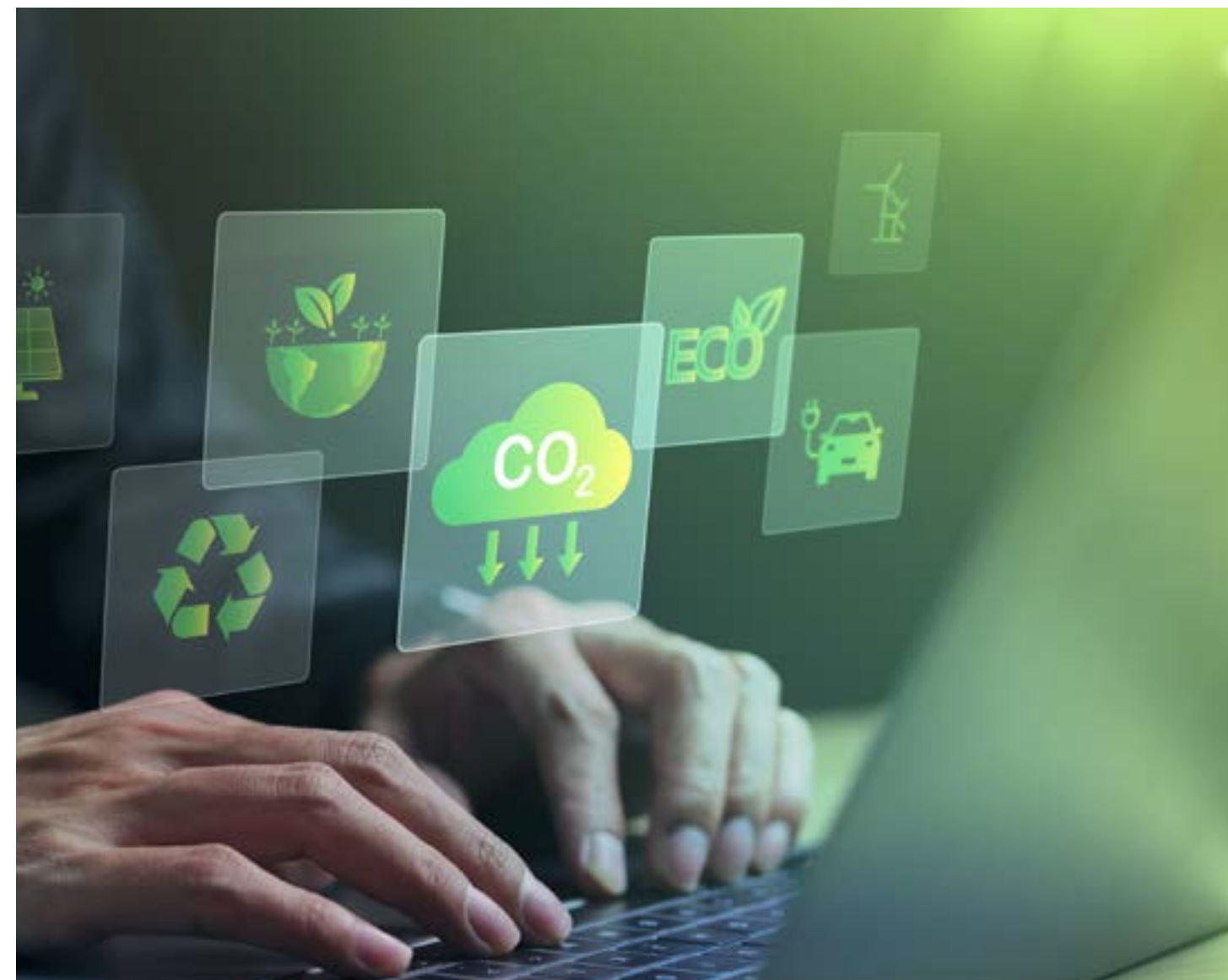
7_ “G” – Governance

7.1. Corporate and ownership structure

The Group has been operating since 2018 under the name Nortegas, a single brand in all its markets and activities. This has been accompanied by work on brand positioning and customer relations, which today are distinctive features of the company.

Infrastructure Investments Fund (IIF), Swiss Life Asset Management and White Summit Capital form an international consortium that has intensified its commitment to the company, acquiring full ownership of the Group. This action reflects the solid relationship between Nortegas and its investors, an alliance that since 2017 has focused on integrating sustainability into the company’s activities and diversifying its business lines, maintaining financial stability despite the context of economic crisis and geopolitical instability.

“The company has completed in the last year the separation of its regulated and liberalised activities.”

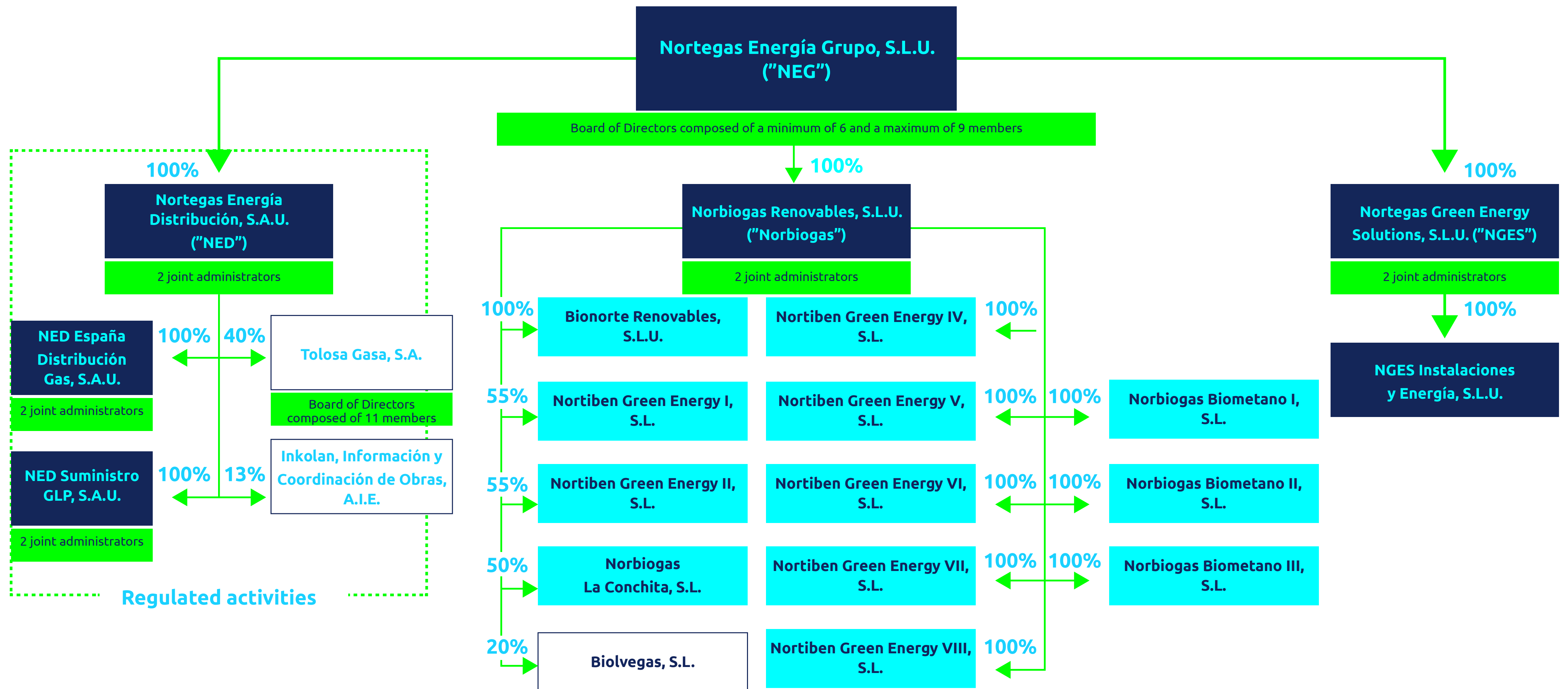


In 2023, Nortegas has implemented a significant structural novelty by completing the separation of its regulated and liberalised activities, in compliance with the Hydrocarbons Sector Law. This move marks a step towards the consolidation of a more stable and diversified operating structure for the company. Although gas distribution in Spain continues to be Nortegas’ main activity, subject to regulation, the company has set up this strategic division with the aim of facilitating the implementation of biomethane projects.

“The corporate structure of Nortegas is adapted to its different lines of business, its strategic vision and its corporate values.”

The corporate structure of Nortegas is adapted to the various activities carried out by the Group, with specific companies for its lines of business. Thus, the regulated activity of natural gas distribution is carried out under the companies Nortegas Energía Distribución (NED) and NED España Distribución Gas (NED España), while Nortegas Green Energy Solutions (NGES) develops value-added energy services and the recently created Norbiogas Renovables is dedicated to the promotion of renewable gas projects. All the companies that make up the Group have a clear commitment to research and development, both independently and in collaboration with public and private institutions, as long as they are aligned with the company’s strategy and favour the future implementation of commercial projects.

7_ "G" – Governance



7.2. Governing bodies

Board of Directors

This is the highest governing, decision-making and supervisory body of the Nortegas Group. Its composition and functioning are regulated by the Articles of Association.

COMPOSITION OF THE BOARD OF DIRECTORS		
Director	Category	Position
Iñaki Alzaga	Independent	Non-Executive Chairman
Javier Contreras	Executive	Chief Executive Officer
John Lynch	Proprietary (IIF)	Spokesperson
Mark Mathieson	Proprietary (IIF)	Spokesperson
Susan Cooklin	Proprietary (IIF)	Spokesperson
Adolfo Pardo de Santayana	Proprietary (Swiss Life)	Spokesperson
Gloria Hernández	Independent	Spokesperson



“Nortegas has governance structures in place to ensure and preserve the company’s high standards of excellence, integrating sustainability at all levels of the business.”

Audit Committee

He advises the Board of Directors on the supervision of the preparation and control of financial reporting, the effectiveness of internal control, risk management and tax matters of the company.

COMPOSITION OF THE AUDIT COMMITTEE		
Councillor	Category	Position
Gloria Hernández	Independent	President
John Lynch	Proprietary (IIF)	Spokesperson
Adolfo Pardo de Santayana	Proprietary (Swiss Life)	Spokesperson

Health and Safety and Environment Committee

It supports the Board of Directors in the development and monitoring of health and safety and environmental strategies, policies, objectives and resources.

COMPOSITION OF THE HEALTH AND SAFETY AND ENVIRONMENT COMMITTEE		
Councillor	Category	Position
Mark Mathieson	Proprietary (IIF)	Chairman
John Lynch	Proprietary (IIF)	Spokesperson
Adolfo Pardo de Santayana	Proprietary (Swiss Life)	Spokesperson

In addition, the Nature committees assist the Board of Directors of Nortegas in matters related to strategy and investments, and appointments and remuneration.



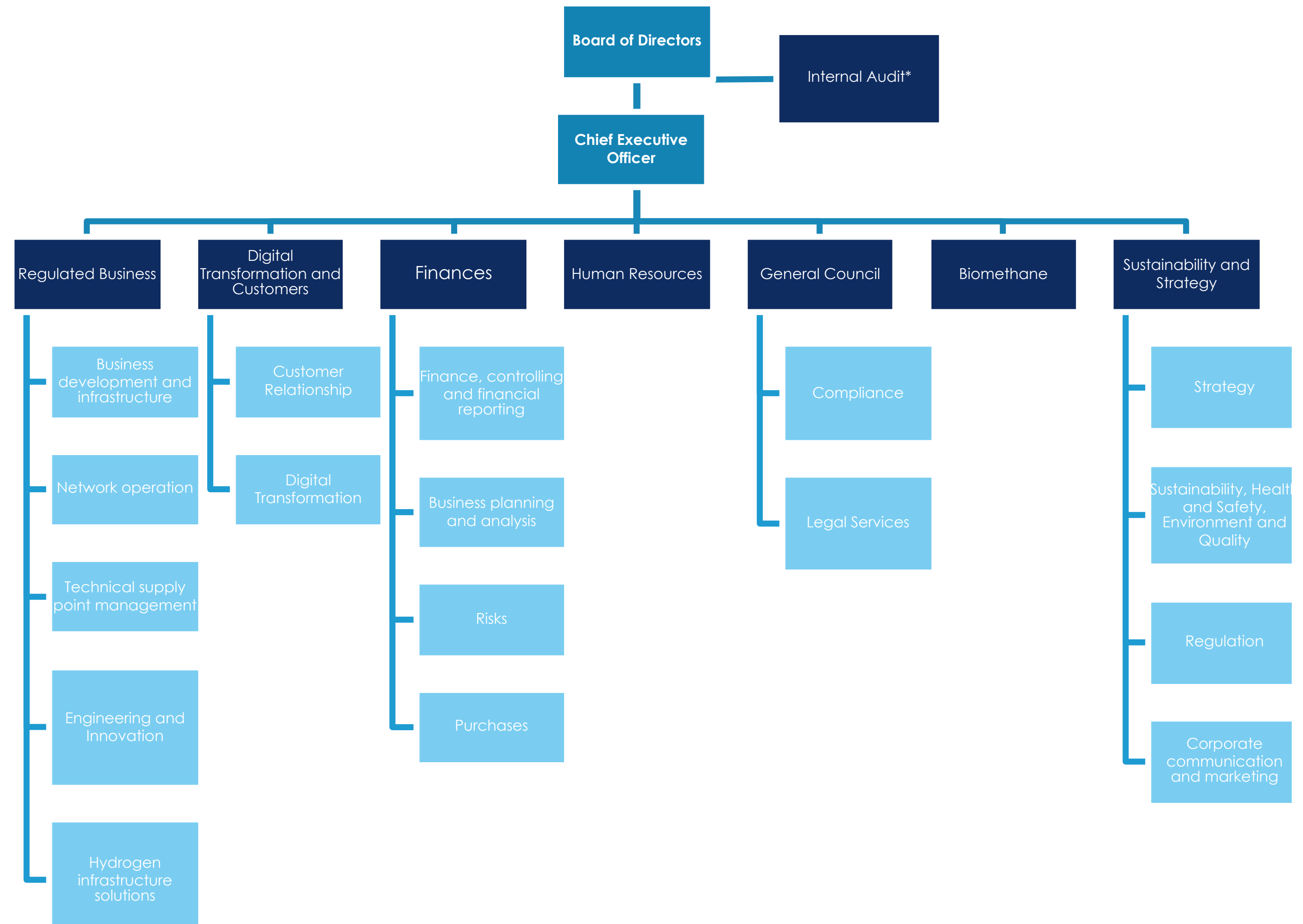
7.3. Organisational structure

“Nortegas’ internal structure, dynamic and agile, allows the company to adapt to its different business lines and implement the changes involved in the sustainable transformation of the business.”

The Nortegas Group is an organisation with differentiated business lines and a functional structure adapted to the particularities of each segment.

As a new development, and as a result of the strategic transformation carried out by the company, the creation of a new biomethane division was formalised in 2023. Nortegas has thus consolidated its internal organisation, supported by teams specialised in the development and operation of gas distribution infrastructures, and with areas dedicated to renewable gases, NGV and other complementary services.

In its ongoing commitment to excellence, Nortegas has cross-cutting areas implemented in the company, such as human resources, legal services, and strategy, regulation and sustainability, which ensure the integration of ESG criteria in all aspects of the business and the organisation.



** Functional reporting to the Audit Committee.*

Executive Committee

The Executive Committee of Nortegas, led by the CEO and composed of the directors of the various functional areas, is responsible for the constant supervision of the Group’s day-to-day management. Thus, the executive directors and the senior management team regularly supervise the economic management and the development of the Group’s budgets, business plans and strategy approved by the Board of Directors.

EXECUTIVE COMMITTEE POSITION	
Fco. Javier Contreras	Chief Executive Officer
Asier Fernández	Chief Financial and Investment Officer
Izaskun Gorostiaga	Chief Strategy, Sustainability and Regulation Officer
Juan Villar	Chief Regulated Business Officer
Felipe Requejo	Chief Biomethane Business Officer
Javier Inunciaga	Director of Human Resources
Mikel Belaustegui	Director of Digital Transformation and Customers
Estíbaliz Pérez	General Secretary

7.4. Compensation model

The Nortegas compensation model is based on the generation of sustainable and shared value. For this reason, the Board of Directors, senior management and the organisation as a whole have a remuneration scheme that enhances the improvement of the organisation’s performance and the long-term profitability of the company.

Those directors of Nortegas, who are entitled to remuneration, receive a fixed remuneration for their services. The definition of the Board’s remuneration takes into account the company’s situation, the market practices of the peers and good governance recommendations. For the exercise of his executive duties, the CEO also receives a remuneration defined in the contract with the Company and aligned with the Nortegas compensation system and the Articles of Association.

In order to encourage the alignment of professionals with the corporate strategy, the Nortegas remuneration system includes fixed and variable components. Thus, all Nortegas professionals receive variable remuneration based on defined objectives, which may be specific to each professional area or of a global

nature. This variable remuneration varies according to the different levels of the workforce, being proportionally higher in the case of the Executive Committee. The objectives combine economic aspects with other aspects related to indicators that go beyond financial performance, such as customer satisfaction, accident rates and safety. The latter is particularly important in the compensation plan as it is one of the most relevant points of Nortegas’ culture.

7.5. Ethics and compliance

“In the culture and strategy of Nortegas, ethics is a crucial element that guides its actions and orients its decisions and relations with the environment.”

Following the incorporation of Nortegas as an independent company, the company strives to comply with the highest standards in matters of corporate governance. In this regard, the company has a Code of Ethics - which is updated periodically - which states

the commitment of Nortegas to act in accordance with the highest ethical standards and the commitment to comply with the applicable legislation and with the Internal Regulations System. Nortegas employees are obliged to know, comply with and collaborate in the application of this system. In addition, Nortegas transfers the commitments of the Code of Ethics to its suppliers through specific contractual obligations included in the general contracting conditions.

Nortegas has a Compliance Officer and an Ethics Committee - made up of five professionals belonging to the company - which holds ordinary meetings every six months, convening extraordinary meetings if the situation so requires. This body is responsible for promoting the dissemination of the Code of Ethics, as well as the company’s ethical values and governance principles. It also provides support to the Compliance Officer whenever necessary.

Nortegas is firmly committed to legal and regulatory compliance, both internally and externally, governing

its activity. Within this framework, the company has implemented a Legal Compliance and Crime Prevention Management Model, backed by its Compliance Policy, which is aligned with the ISO 19600:2015 and UNE 19601:2017 Standards. This model is subject to periodic review to ensure its effectiveness, and establishes commitments and responsibilities at all levels of the organisation.

During 2023, the Compliance Policy, currently called “Compliance Policy and Internal Reporting System”, was updated to provide a reference framework for the Internal Reporting System as a channel for reporting possible irregular conduct and potential unlawful acts or acts contrary to the law or the Code of Ethics.

In addition to this Policy, Nortegas has an Anti-Corruption Policy and a Gifts and Invitations Protocol, on which annual training is provided.

During 2023, work continued on the implementation of improvements to the Compliance and Crime Prevention Model to make it fully robust and effective.

There is an annual mandatory ethics and compliance training plan for all employees. Throughout the year, mandatory training on the ethics channel and specific compliance cases was given to the entire workforce, in addition to adapted training on the Code of Ethics for professionals with disabilities. Employees were also trained in the separation of activities, protection of personal data and prevention of harassment in the workplace. In addition, training on compliance and whistleblower protection was provided to members of the Board of Directors, in accordance with Directive (EU) 2019/1937.

2023 MILESTONES AND KEY INDICATORS

Approval of the update of the Compliance Policy and Internal Reporting System and of the Ethics Channel Regulation

Staff training on the ethics channel and specific *compliance* cases

Tailored training on the Nortegas Code of Ethics for employees with disabilities

Whistleblower protection training for the Board of Directors

Internal Information System

The Nortegas Internal Reporting System has been updated during the 2023 financial year to implement the requirements established in Law 2/2023 regulating the protection of persons who report regulatory infringements and the fight against corruption, the most relevant of which are the establishment of non-retaliation for whistleblowers and the possibility of making anonymous reports.

The ethics channel, which is integrated into this Internal Information System, is a permanently accessible channel for all Nortegas stakeholders to resolve questions relating to the company’s ethical conduct and possible breaches.

Anyone can access the ethics channel via the form available on the Nortegas website¹⁰ to report conduct contrary to the company’s ethical values or to the law. The Compliance Officer is responsible for managing the Internal Information System and, specifically, for processing complaints and proposing the necessary corrective actions, as well as responding to queries received through the system. The confidentiality of the channel, its operation and the protection of whistleblowers are guaranteed by the

Internal Regulations of the Ethics Channel, updated this year.

COMPLAINTS AND COMMUNICATIONS			
	2021	2022	2023
Communications received from stakeholders	1	5	15

Throughout 2023, the ethics channel has seen an increase in the number of communications, most of them being customer complaints that have been re-directed to the customer service area for resolution. This increase is attributed to increased visibility and awareness of the channel.

Human rights

“Nortegas goes beyond mere legal compliance in its commitment to the respect and promotion of human rights.”

Nortegas supports the fulfilment of the basic universal right to decent housing by providing a reliable and quality energy supply. In addition to its core business of gas distribution, the company develops

initiatives and procedures designed to achieve a positive social impact.

By joining the UN Global Compact, Nortegas underlines its dedication to protecting human rights both in its own operations and in its value chain. Moreover, the Nortegas Code of Ethics reflects its commitment to human and labour rights, in line with national and international standards. Nortegas actively promotes respect for sexual identity and religious freedom, rejects harassment at work, and ensures safe and healthy working conditions. It also advocates freedom of association and collective bargaining, promotes the elimination of forced or child labour, combats discrimination and rejects the hiring of people without work permits, among other things.

Additionally, Nortegas extends its human rights commitments to its suppliers through specific obligations in its contracts, ensuring adherence to these principles throughout its value chain.

Nortegas carries out a risk analysis in this area in its operations in order to protect and guarantee human

¹⁰ Anyone can access the ethics channel via the form available on the Nortegas website 10

rights both within the organisation and in the exercise of its activities. The results of this assessment are addressed, among others, through the Diversity, Equity and Inclusion Plan (see chapter 6.1) and the health and safety system (see chapter 6.2).

.....
“Nortegas advances the protection of human rights through a comprehensive due diligence exercise.”
.....

In 2023, one of Nortegas’ milestones in this area was the completion of the first phase of a human rights due diligence exercise. This work was carried out by the risk area together with the sustainability area in close collaboration with the human resources and occupational risk prevention departments. The initiative sought to identify and analyse human rights risks. To this end, scenarios were identified based on the company’s different processes and measures to mitigate these risks were defined with the different areas.

This comprehensive analysis reflects Nortegas’ firm commitment to the respect and protection of human rights, underlining its corporate responsibility and its commitment to operate in an ethical and sustainable manner. This effort not only highlights the company’s proactivity in identifying and managing its risks in this area, but also sets a model of good practice in responsible business management.

Looking ahead, Nortegas is monitoring regulatory developments in this area in order to adapt to possible future changes or challenges, and is working to update the risk matrix in order to assess the possible materialisation of these risks.

7.6. Risk management

Nortegas has a Risk Management System, aligned with the UNE-EN ISO 73:2010 IN, ISO 31000:2018 and UNE-EN 31010 Standards, which aims to provide senior management with a mechanism to control and mitigate risks that create uncertainty about the achievement of the company’s objectives or that could cause business disruption. In 2023, following a review of the methodology to simplify and improve

the System, there are 31 identified risks that make up the company’s risk map. These risks include all potential cross-cutting risks for the Group, as well as potential risks specific to the businesses in which Nortegas operates. The risks are grouped into five categories (strategic, operational, financial, regulatory/legal and ESG/reputational). This risk map includes all of the company’s material issues in the risk catalogue.

This system facilitates the assessment of the probability and impact of each risk and supports the design and implementation of mitigating measures. Thus, for the most significant risks, or top risks, specific mitigation measures are established and constantly monitored.

Every six months, or whenever a relevant event occurs that changes the probability or impact of a given risk event, an analysis and subsequent report on the situation at Nortegas is carried out and discussed by the Executive Committee. The results are periodically presented to the Audit Committee and the most relevant information is reported to the Board of Directors.

Risks and opportunities

Nortegas’ risk management framework facilitates the identification of and response to an increasingly disruptive environment for the gas sector and the global economy. Among the most relevant risks identified are those related to the energy transition and regulation, although most of them also represent a great business opportunity. In addition, there are risks related to other areas such as talent, cybersecurity, reputation and health and safety in operations.

As can be seen, ESG aspects are integrated into the Group’s risk and opportunity analysis, which translates into the promotion of sustainable practices and the fostering of an organisational culture based on corporate responsibility.

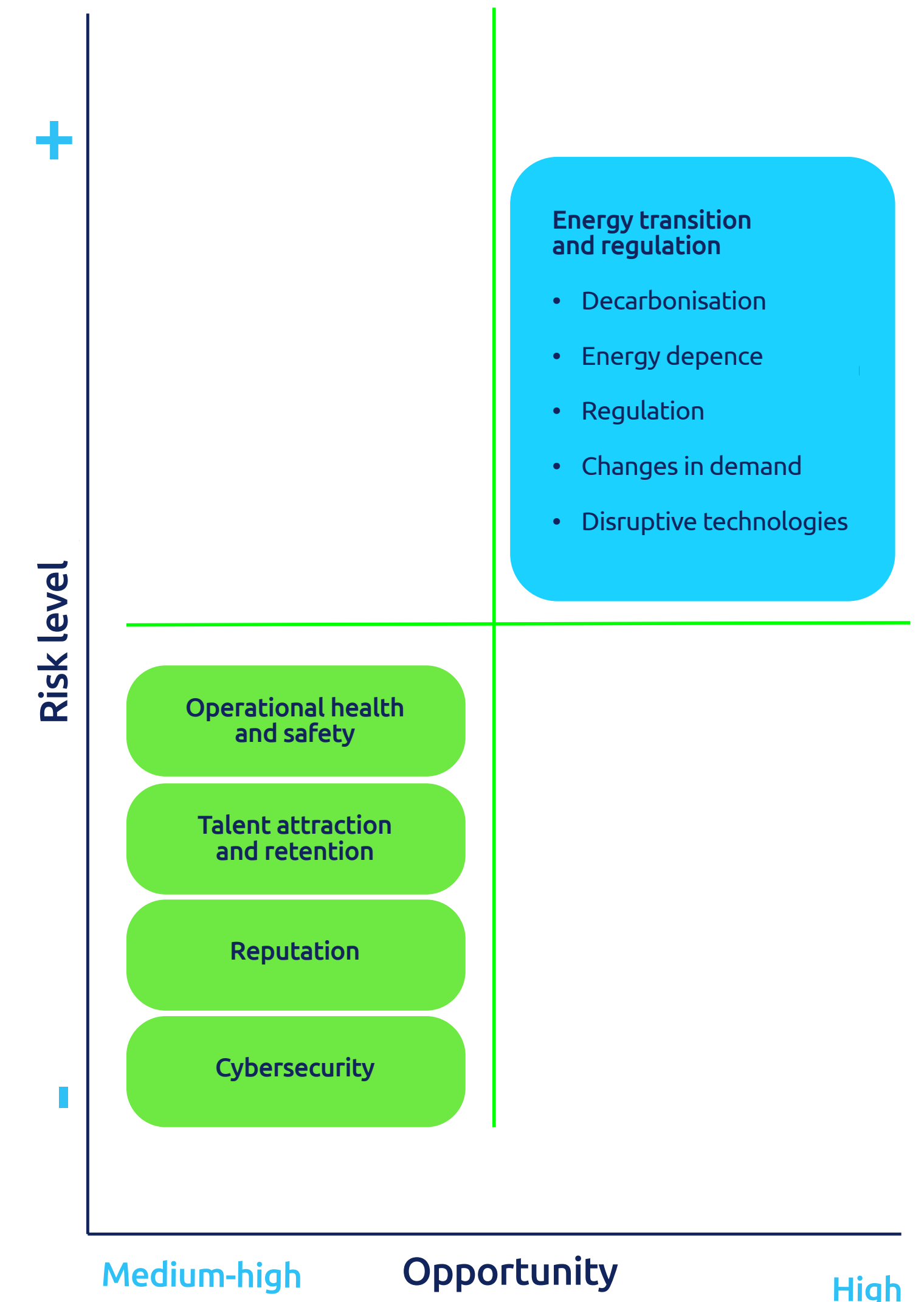
Materialised risks

With regard to the most relevant materialised risks, the instability of the energy market and temperatures, with an exceptionally warm year, have had a direct impact on the energy sector. Both causes explain the decline in gas demand and, therefore, in the company’s

revenues. However, throughout the year, efforts have been redoubled in the promotion of renewable gases and business diversification to accelerate Nortegas’ commitment to the company’s new businesses.

Emerging risks

In addition to addressing current risks, Nortegas also monitors significant medium and long-term risks, both for the sector in general and for the company in particular, such as the regulatory framework. Among the most prominent emerging risks are the long-term impacts of climate change¹¹ and the energy transition. With regard to climate change, and despite the progressive reduction in the consumption of fossil fuels in the energy mix, the commitment to renewable gases and the new role of gas in sectors that use more polluting energy sources, such as mobility, show that the response to this risk is based on taking advantage of the opportunities offered by the energy transition.



¹¹ For more information on climate change risks and opportunities, see chapter 5.1.



8_ Financial results

Despite several years of a complex social, geopolitical and market context, which have affected energy demand, Nortegas has demonstrated the strength of its strategy and business model. Progress in the execution of its decarbonisation and sustainability strategy, and positioning in businesses with high growth potential, has served to reinforce investor confidence and maintain its credit rating.

8.1. Sustainable financing

The company has integrated sustainability into its financial strategy. This is reflected in the commitments established within its sustainable financing framework, which includes strategic ESG objectives. In this regard, Nortegas obtained a sustainable loan for Nortegas Green Energy Solutions of 10 million euros in 2021, extended in 2023, and Nortegas Energía Grupo S.L.U. converted its Revolving Credit Facility to sustainable in 2021.

The ESG objectives of this second sustainable loan have driven greater climate ambition in the company and enabled it to integrate its holistic approach to sustainability into its financial performance, including social and governance objectives:

ESG OBJECTIVES		
Dimension	Description	Target
E (Environmental)	Absolute reduction in Scope 1+2 emissions compared to 2018-2020 average	<ul style="list-style-type: none">• 2022: 5.202 (5% annual reduction, 21% aggregate reduction)• 2023: 4.942 (5% reduction per year, 25% aggregate reduction)• 2024: 4.ss695 (5% annual reduction, 29% aggregate reduction)
	Excellence in safety and health through the Combined Frequency and Severity Index (CFSI)	Three-year average ICFS below the three-year average ICFS of a range of industry <i>peers</i>
G (Government)	ESG training for company management*.	ESG training rate for Nortegas <i>management</i> of at least 95% in 2022 and 100% from 2023 onwards.

* Includes the Board of Directors.

Nortegas’ performance is audited by an independent third party, which influences the interest rate of the loan.

8.2. Profit and loss account

“During 2023, Nortegas has continued to demonstrate its ability to adapt to a challenging market and regulatory environment.”

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

2023 has been a challenging year for Nortegas in terms of operational and financial management. On the one hand, the company needs financial stability and solidity to undertake the investments required to implement its long-term strategy and, in particular, the deployment of biomethane and hydrogen infrastructures. On the other hand, as described at length in chapter 3, energy demand during the year was abnormally low, still weighed down by gas prices and the high temperatures recorded during the winter, which affected domestic consumption. In this context, Nortegas’ operational efficiency control has allowed the company to preserve its EBIT-DA margin, which remains at highly healthy levels of

over 70%, despite a reduction in revenues. This has enabled the company to achieve a profit for the period of 38 million euros and reduce debt from 1,100 million euros in 2022 to 1,079 million euros at the end of 2023.

SUMMARY OF THE PROFIT AND LOSS ACCOUNT (M€)

	2022	2023
Ordinary income	215	201
Supplies	-26	-23
Self-constructed assets	7	7
Operating expenses	-41	-37
EBITDA	155	148
Margin	72%	74%
Amortisation expenses	-84	-84
Operating income	70	64
Margin	33%	32%
Net financial expenses	-19	-17
Profit before tax	52	47
Income tax	-11	-9
Result for the period	40	38

SUMMARY OF THE PROFIT AND LOSS ACCOUNT (M€)

ORDINARY INCOME	M€	Variation
2022	215	-6.5%
2023	201	
EBITDA (MARGIN)	M€	Variation
2022	155	-4.6%
2023	148	
EBITDA MARGIN		+1.9%
OPERATING PRO-FIT (MARGIN)	M€	Variation
2022	70	-9.8%
2023	64	
MARGIN		-3.6%

8.3. Balance

CONSOLIDATED BALANCE SHEET (M€)

	2022	2023
Property, plant and equipment	918	884
Goodwill	46	46
Other intangible assets	1,397	1,370
Right-of-use asset	1	1
Other non-current financial assets	1	1
Deferred tax assets	0	0
Total non-current assets	2,364	2,303
Other current assets	41	42
Cash and cash equivalents	39	68
Total current assets	79	110
Total assets	2,443	2,413
Total equity	992	965
Financial liabilities from issuing bonds	1,121	1,122
Leases	1	1
Other non-current financial liabilities	2	1
Other non-current liabilities	18	22
Deferred tax liabilities	265	263
Total non-current liabilities	1,407	1,409
Current financial liabilities	8	8
Leases	0	0
Debt with Group companies and associates	6	15
Other current liabilities	30	16
Total current liabilities	44	39
Total liabilities and equity	2,443	2,413

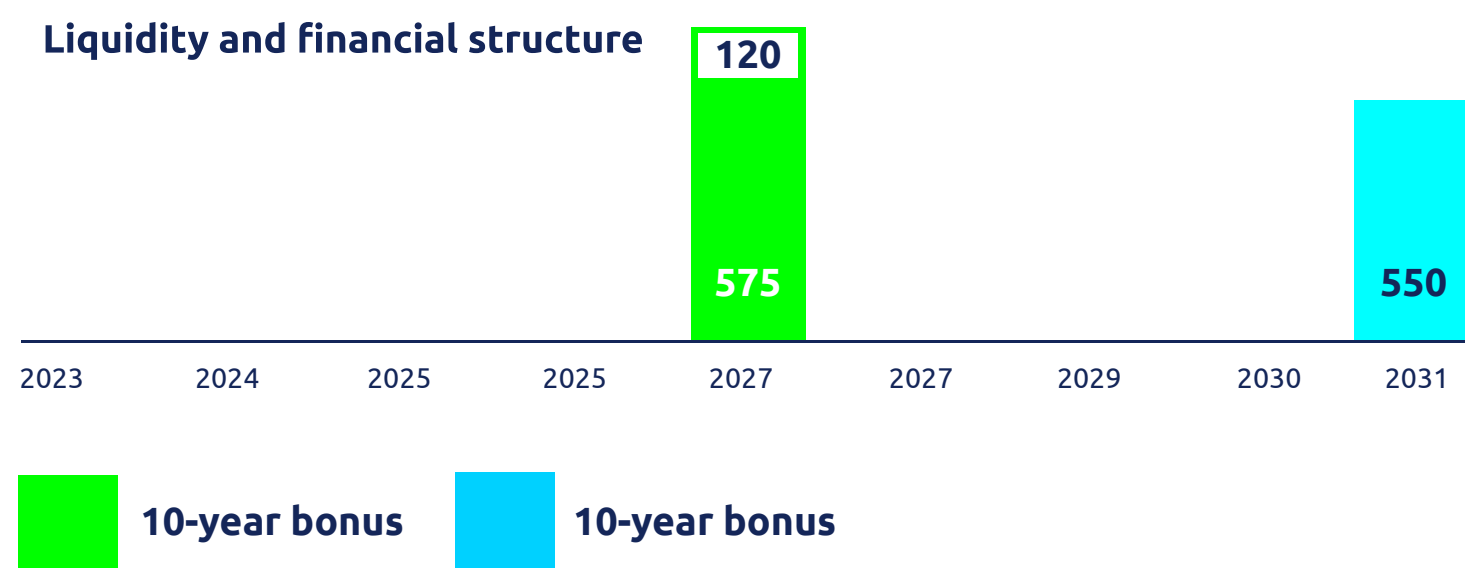
- Equity at the end of 2023 amounted to €965 million.
- Net debt at the end of 2023 amounted to €1,079m.
- Financial policy driven by shareholder commitment to maintain investment grade credit rating.

8.4. Cash flow

SUMMARY CASH FLOW STATEMENT (M€)

	2022	2023
EBITDA	155	148
Corporate tax payments	-15	-12
Changes in current assets and liabilities and others	-10	-11
Investments	-28	-23
Interest payments	-18	-16
Cash flows from operating and investing activities	83	86
Cash generation (EBITDA-Investments)	127	125
Conversion	82.0%	84.7%

- Investments mainly include:
 - Investments to further develop the expansion of natural gas and LPG supply points.
 - Maintenance investments related to network replacement works as part of the maintenance programme
 - IT investment.
- Interest payments mainly include interest on bonds.
- Strong cash generation: EBITDA - Investments of € 125 M and high cash conversion (85%) with room to increase investments.



8.5. Financial structure, liquidity policy and rating feedback

- Shareholder financial policy committed to Norte-gas’ investment grade credit rating.

LIQUIDITY POSITION

Instrument	Available (M€)	Drawn down (M€)	Coupon
2027 Bond		575	2.065%
Bonus 2031		550	0.905%
Sustainable credit policy	120		Eur+0.75%
Cash on balance sheet	68		
Total	188	1,125	

KEY DATA AS AT 31 DECEMBER 2023

Net debt	1.079 million
S&P credit rating *	BBB- stable outlook (confirmed in November 2023).
Available liquidity	188 million
Average financial cost	1.34%

* On 21 November 2023, the credit rating agency S&P issued a new credit report on Nortegas Energía Distribución, S.A.U. as issuer of the bond programme, maintaining its investment grade rating of BBB- with a stable outlook. It also grants a credit rating of bbb- for the group to which it belongs (whose parent company is Nature Investments, S.a.r.l.) and bbb for Nortegas Energía Distribución, S.A.U. and subsidiaries.



9_ Annexes

9.1. Tables of labour indicators

BREAKDOWN OF PROFESSIONALS BY CATEGORY, AGE AND GENDER

2023									
Professional category	<30		30 - 50		>50		Total		Total
	Men	Women	Men	Women	Men	Women	Hombres	Mujeres	
Operational Technician	0	0	1	7	13	13	14	20	34
Support Technician	2	0	5	4	14	8	21	12	33
Senior Technician	1	3	33	15	34	9	68	27	95
Responsible	0	0	11	14	9	7	20	21	41
Head of Department	0	0	9	11	3	0	12	11	23
Director	0	0	9	4	11	4	18	8	26
Total	3	3	68	55	84	41	153	99	252

BREAKDOWN OF PROFESSIONALS BY CATEGORY, AGE AND GENDER

2022									
Professional category	<30		30 - 50		>50		Total		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
Operational Technician	0	0	2	7	13	13	15	20	35
Support technician	2	0	5	5	14	7	21	12	33
Senior technician	1	0	20	17	33	7	54	24	78
Responsible	0	0	10	13	8	6	18	19	37
Head of Department	0	0	5	11	3	0	8	11	19
Director	0	0	8	3	10	4	18	7	25
Total	3	0	50	56	81	37	134	93	227



BREAKDOWN OF PROFESSIONALS BY CATEGORY, AGE AND GENDER

2021											
Professional category	<30		30 - 50		>50		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
Senior technician	3	1	13	5	18	11	20	4	54	21	75
Responsible	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



9.2. About this report

The information presented includes Nortegas Energía Grupo S.L.U. and all its subsidiaries, except where otherwise indicated, and refers to the period from 1 January 2023 to 31 December 2023.

This report has been prepared in accordance with the following standards:

- Integrated Reporting Framework <IR> of the International Integrated Reporting Council (IIRC).
- GRI standards, according to the issues identified as material by Nortegas.
- The preliminary drafts of the European Financial Reporting Advisory Group (EFRAG) in the framework of the CSRD.

Materiality analysis process

To perform the materiality analysis, the results of which are presented in chapter 4 of this report, Nortegas undertook the following process:

1. Identification of potentially relevant issues, using the following sources of information:

- Reporting norms and standards: Spain's Law 11/2018 on non-financial information and diversity, the 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, IIF and Swiss Life.
- Competitors in the Spanish market: Naturgy and Redexis.

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

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

- ESG investment analysts: the weightings given for each of the assessment criteria used by SAM (S&P) for the Gas utilities sector, and GRESB were used.

3. Internal prioritisation based on consultations with managers: through a direct questionnaire, Nortegas managers were asked about their perception of the different dimensions of the possible relevance of each previously identified issue. The consultation was sent to 13 managers, chosen with the aim of constituting a representative sample of the company's activities. This consultation was an update of the one carried out in the previous year.

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

- Decision: The issue relevance analyses of the reporting standards (GRI's "Sustainability Topics for Sectors" and SASB's "Materiality Map") were used as proxies, as a reflection of what stakeholders as a whole need to know, as well as management's views on how different issues influence stakeholders when establishing a relationship with the company.
 - Risk: the weights given to each of the issues by leading ESG analysts (SAM and GRESB) were used as *proxies*, illustrating the main critical issues for the sector, as well as management's view of the impact of the company on the community in which it operates.
-
5. Indicator identification: Finally, for each of the material issues, Nortegas identified the reporting requirements and indicators requested by the main ESG reporting standards and analysts.
-

Therefore, the materiality matrix is a reflection of the stakeholders' opinion on the relevance of the issues for the company, taking into account a fi-

nancial materiality perspective (risks and opportunities for the business) and an impact perspective (impacts on stakeholders). In 2023, it has been reviewed that the materiality analysis carried out is still in place, especially through a follow-up of the material issues within the company's risk map.



Glossary

CEE: Special Employment Centres.

GTC: General Terms and Conditions.

CNMC: Comisión Nacional de los Mercados y la Competencia (National Markets and Competition Commission).

CSRD: Corporate Sustainability Reporting Directive.

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

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 actors in the value chain that the emitter cannot control.

ERM: regulation and metering stations.

ESG: Environmental, Social and Governance.

Gol: interest groups, also known as stakeholders.

GdO: guarantee of origin.

GHG: greenhouse gases.

LPG: liquefied petroleum gas.

LNG: liquefied natural gas.

NGV: natural gas vehicle.

GRI: Global Reporting Initiative.

ISO: Organización Internacional de Normalización.

GWh: gigawatt-hour.

Frequency rate: no. of accidents with sick leave / total no. of hours worked.

Severity rate: No. of days off work / hours worked * 1,000.

IPCC: Intergovernmental Panel on Climate Change.

ISO: International Organisation for Standardisation.

SDGs: United Nations Sustainable Development Goals.

OECM: One Earth Climate Model.

OPS: preventive safety observations.

PERTE: Strategic Project for Economic Recovery and Transformation.

PJ: petajulios.

PNIEC: National Integrated Energy and Climate Plan.

PPA: Power Purchase Agreement.

CDW: construction and demolition waste.

RePowerEU: the European Commission's joint action plan for more affordable, secure and sustainable energy.

RFNBOs: renewable fuels of non-biological origin.

SBTi: Science Based Targets Initiative.

S&P: Standard & Poor's.

TCFD: Task Force on Climate-related Financial Disclosures.

tCO₂ e: tonnes CO equivalent₂.

TCR: quality of service indicator, calculated as: duration of supply cut-off * no. of supply points affected / total no. of supply points.

TMO: mean time of operation.

TUR: tariff of last resort.

TWh: terawatt-hour.

